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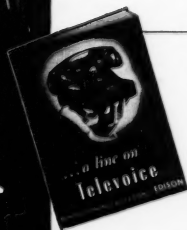
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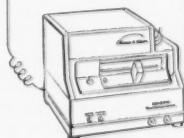
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Letters . . .

TO THE EDITOR

SOMETHING OF A SHOCK

My arithmetic indicates that the nation's electric power output has been decimated by your statistician. On page 26 of your January issue, the index of electric power output, expressed in "Ten Million K.W.Hours," is given as 70. Should this not be 700?

Robert S. Pearce
Vice-President
General Electric Company
New York, N. Y.

It should. Sincere thanks to Mr. Pearce for pointing out our exact decimation (reduction to one-tenth).—Ed.

WHEN IRISH IRE IS RISING

As an Irishman who hasn't trod on the Ould Sod for some thirty years, I was rather bothered by the map on page 27 of your February issue, in which you show the capital of Ireland as "Cliath." I realize it has been part of the policy of that happy land to foster a renaissance of Gaelic culture . . . during the past few decades—witness the change of "Ireland," itself to "Eire,"—but it just gets my Irish up not to see "Dublin" listed among the capitals of the world as it has been for countless centuries. . . .

Besides, wasn't your mapmaker inconsistent in Gaelicizing "Dublin" while not changing "Ireland" to "Eire?" In addition, if the capital of Ireland is shown in the native language why wasn't "Rome" shown as "Roma," "Helsinki" as "Helsingfors," "Vienna" as "Wien," etc.?

I hope you have some explanation for this action by your mapmaker.

James Murphy
New York, N. Y.

So do we.—Ed.

NICE TO KNOW

I do not know where the attached came from, but I think it is one of the best articles on salesmanship I have ever seen. It may be of interest to your readers.

K. M. Haugen
President
Schlafer Supply Co.
Appleton, Wis.

"I'm A Nice Customer"

I'm a nice customer. All business men know me. I'm the one who never com-
(Continued on page 10)

"Mack Diesels cut our miles-per-gallon cost over 53%"

... Stanley L. Wasie, Pres.,
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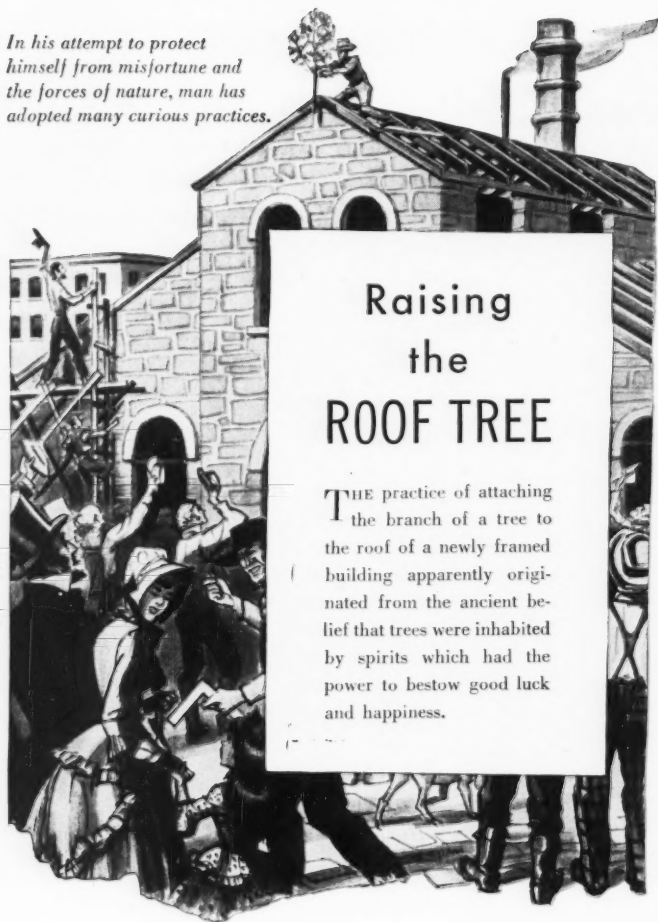
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In his attempt to protect himself from misfortune and the forces of nature, man has adopted many curious practices.



Raising the ROOF TREE

THE practice of attaching the branch of a tree to the roof of a newly framed building apparently originated from the ancient belief that trees were inhabited by spirits which had the power to bestow good luck and happiness.

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The Cover

THE HUNTER

Winslow Homer painted this grimaced young hunter in 1891.

The painting perhaps is more notable as another example of the skill of the artist rather than the importance of the subject. The howling hounds and the figure of the hunter tend to bring the eye to the central point of the canvas—the weather beaten trunk of a once great tree. The careful articulation, which so quickly conveys the feeling of the satiny finish of bleached wood, polished by the wind and rain, is much more impressive as an inanimate thing than the action of the dogs or the stance of the hunter.

Silhouetting the head of the figure against wind swept clouds adds further to the action of the scene but serves also, by contrast, to place life and animation around the great tree trunk whose dead roots lay exposed and withered in the sun.

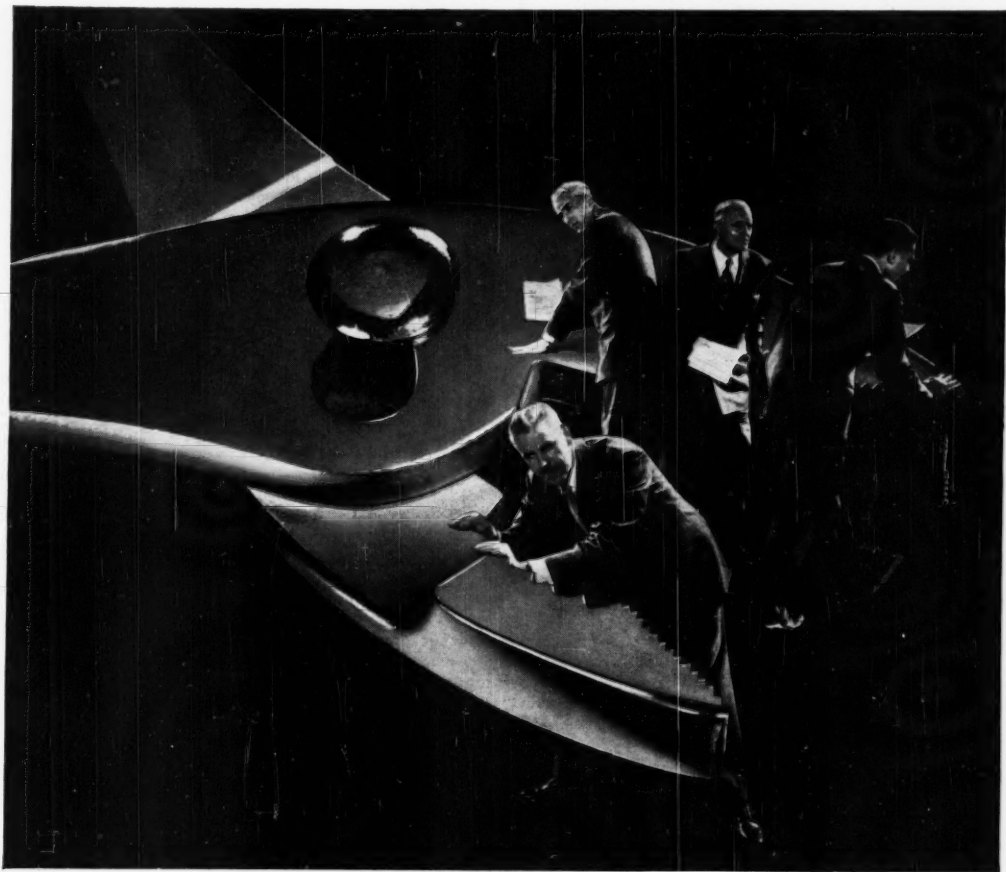
Homer was a master of subtle color and composition—without fussiness or sloppy painting. Bold and direct, he swept his canvas with brush strokes that were vibrant and positive. He mostly painted scenes of the great outdoors with a strong feeling for the sea (see "The Life Line," DUN'S REVIEW, September 1949).

He was a man's painter who painted the things around him as he saw them, recording as truly in color and form as the historian records the passing scene in words.

CLARENCE SWITZER

THE FRONT, "THE HUNTER," IS ONE OF A SERIES OF SUBJECTS FREQUENTLY APPEARING ON THE COVERS OF "DUN'S REVIEW." THE FRONT HERE SHOWS AND WILL CONTINUE TO SHOW SOME OF THE EARLY EVENTS, CIRCUMSTANCES, OR WAYS OF LIFE DURING THE NINETEENTH CENTURY WHICH SO HIGHLY CONTRIBUTED TO OUR PRESENT IMPORTANCE AS A PEOPLE AND A NATION.

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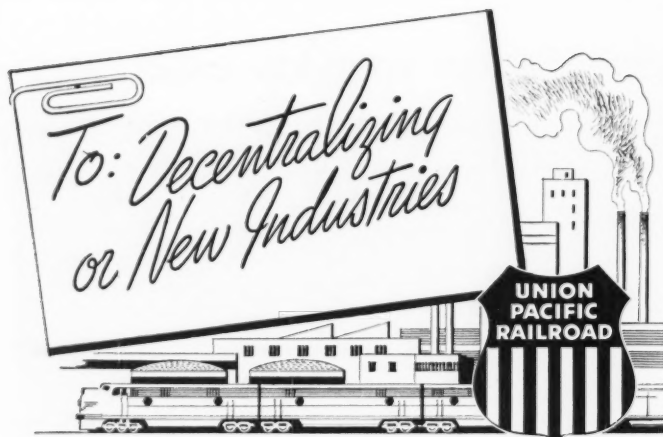


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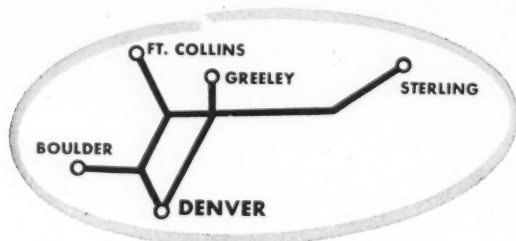
The Denver Industrial Districts have necessary utilities, paved roads adjoining, good industrial trackage.

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plains no matter what kind of service I get. I'll go in a restaurant and I'll sit and sit while the waitress gossips with her boy friend and never bothers to look and see if my hamburger is ready to go. Sometimes a party who came in after I did gets my hamburger, but I don't say a word in complaint when the waitress tells me: "Oh, I'm sorry, I'll order another one for you." I just wait.

If the soup is cold, or the cream for the coffee is sour, whatever happens, I try to be nice about it. It's the same when I go to a store to buy something. I don't throw my weight around. I try to be thoughtful of the other person. If I get a snooty sales girl who gets nettled because I want to look at several things before I make up my mind, I'm polite as can be. I don't believe that rudeness in return is the answer.

I never kick, I never nag. I wouldn't dream of making a scene, as I've seen people doing in public places. No, I'm a nice customer.

And I'll tell you what else I am: I'm the customer who never comes back. That's my little revenge for getting pushed around too much. A nice customer like myself, multiplied by others of my kind, can just about ruin a business. And there's a lot of people in the world just like me. When we get pushed far enough we go down the street to another store and eat hamburgers in places where they're smart enough to hire help who appreciates nice customers.

Nice to hear from you.—Ed.

TOWER EYEFUL

I am fascinated by the picture of the lighthouse on page 20 of the November issue of your magazine and find myself continuously referring back to admire it and do a little reminiscing. . . .

George T. Smith
W. J. Dennis & Company
Chicago, Ill.

GOING TO SCHOOL

Would it be possible for you to send me about 20 copies of your latest issue of *Compass Points*?

I find the various series invaluable for seminar work with graduate students.

Everett G. Smith
Professor of Marketing
The University of Texas
Austin, Tex.

Thank you for your co-operation in assisting us to enrich the curriculum of our school program.

Joan Trunk
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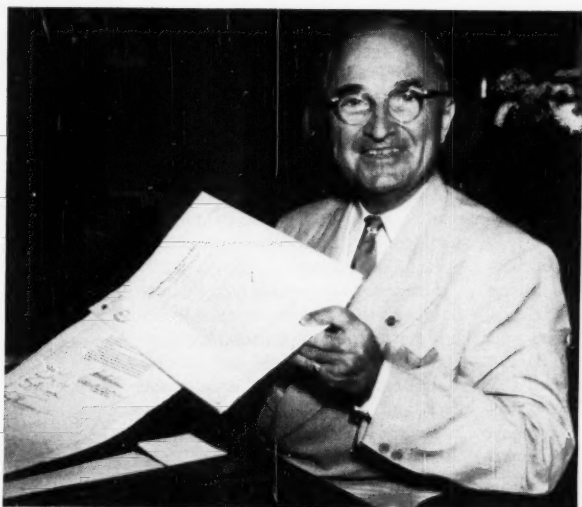
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A REDUCTION IN THE NUMBER OF DOCUMENTS THAT MUST BE SIGNED BY THE PRESIDENT RESULTED IN A SAVING OF TWO WEEKS OF HIS ANNUAL WORKING TIME. PHOTOGRAPH FROM HARRIS & EWING.

THE HOOVER PLAN: *Performance and Prospects*

GWILYM A. PRICE

President, Westinghouse Electric Corporation

*T*HERE is wide agreement on three steps we must take if we are to survive a long war. These do not make up a complete program; they are not a complete solution to our problems. But we cannot control inflation, keep our economy dynamic, and rearm ourselves effectively—which is the same thing as saying we cannot survive—if we do not carry out these steps.

We must improve the efficiency of our civil government. We must achieve the maximum possible efficiency in military procurement. We must reduce non-military expenditures by the government for the duration of the crisis.

The Report of the Hoover Commission on the Organization of the Executive Branch of the Government is directly concerned with all three of these very vital requirements.

*Y*OUR TAXES HELP TO PROVIDE THE \$40 BILLION—OR ONE-FIFTH OF THE NATIONAL INCOME—THAT IS USED EACH YEAR TO RUN THE UNITED STATES GOVERNMENT. THE HOOVER COMMISSION FOUND THAT YOUR TAX DOLLAR DOES NOT ACCOMPLISH AS MUCH AS IT COULD. HOW, AND WHERE, IS YOUR MONEY WASTED? WHAT REFORMS IN THE GOVERNMENT ARE NECESSARY FOR THE SAKE OF BOTH EFFICIENCY AND ECONOMY?

The total Hoover Plan includes suggestions for ways to save money in running the Government, but it goes beyond that into the field of creative reorganization. It recommends the consolidation of some services, the elimina-

tion of others, and the creation of still others. It calls for the abolition of some jobs and higher pay for others. In short, the Hoover Commission carried out its assignment of drawing up plans for the reorganization of big government into an effective and economical instrument of public service.

Savings possible under the Report were unofficially estimated at no less than \$3 billion and possibly as high as \$5 billion annually. The Report made some 300 specific recommendations. Every department was examined.

The great majority of the American public was solidly behind the Hoover Commission, what it was trying to do, and what it finally recommended. According to Dr. Gallup that majority was about 25 to 1. More than 12,000 editorials about the Hoover Report ap-

peared in 1949, and less than 1 per cent were opposed. Some 90 organizations joined in support of the Citizens Committee for the Hoover Report, a non-partisan organization for public education in support of the Report which had been formed with the encouragement of Mr. Truman and Mr. Hoover.

The Opposition

However, there has been strong opposition from some of the two million federal employees and their friends, particularly from agency heads who felt that their empires were in danger. One cabinet member approved that part of the plan affecting his department which raised his salary and gave him several assistants; the other recommendations, he said, would require "further study."

Opposition also came from some Congressmen who saw the Hoover plan chiefly as a force for reducing their patronage and the federal spending in their districts. The plan for military unification brought about a tug-of-war among the three services.

Most regrettably of all, opposition came in many directions from private citizens and organizations. It came in much the same way and for much the same reasons it developed among department heads in government. They favored the Report as a whole, but (in the words of the Citizens Committee) "just wanted an exception made for some agency or bureau with which they happened to have a well-developed working relationship or from which they received some form of patronage, subsidy, or beneficent relation."

The \$5 Billion Question

As the 81st Congress convened at the beginning of 1949, the \$5 billion question was this: What, if anything, will be done about the Hoover Commission recommendations? Here is the record as it stood in December 1950.

The recommendations of the Hoover Commission Report can be put into effect in three different ways.

Administrative Action—About 40 per cent of the Commission's original 300 recommendations do not need changes in existing laws in order to be adopted, but can be put into effect simply by presidential directive or ad-

ministrative action from within the departments and agencies.

In order to work out plans for doing this, the President formed a President's Advisory Committee on Management Improvement, consisting of ten men who are top executives in government and private organizations. As chairman he appointed Thomas P. Morgan, president and board chairman of the Sperry Corporation.

This committee is concerned particularly with the progress being made in budgeting and accounting, development of executive staffs, reduction of operating costs, and use of supplies and facilities.

Reorganization Plans—Under the Reorganization Act of 1949, the President can submit reorganization plans to the Congress. These automatically become effective in 60 days unless disapproved by a constitutional majority of either house of Congress.

The President submitted seven reorganization plans to the Congress in 1949 and 27 more in 1950. Of these 34 plans, 26 have become effective and are in operation.

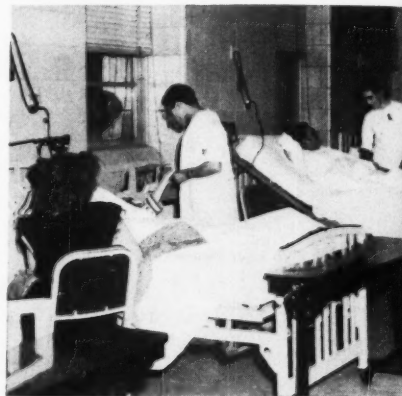
Public Laws—The balance of the Commission's recommendations must be formally approved by Congress as statutory legislation and signed by the President.

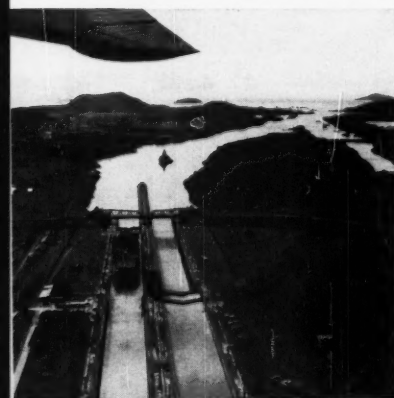
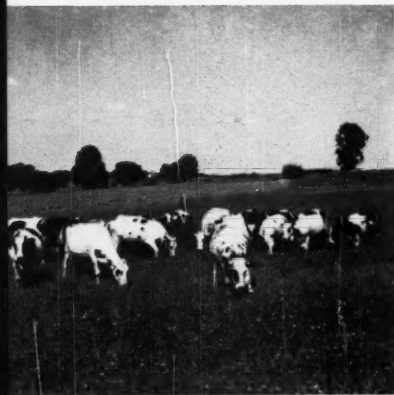
To date, 20 public laws based on the Hoover plan have been enacted. There has been considerable criticism of the way the Administration proposed and carried out some of the Hoover Commission recommendations. Most of this criticism arose in connection with the 34 reorganization plans submitted to Congress. Some of it is justified.

The first plan submitted by the President in 1949 would have confined the federal medical, education, and security programs in a department with cabinet status. This went far beyond the recom-

While enough beds for almost 100,000 patients or 35 per cent of the hospital facilities paid for by the Federal Government were found idle, over \$1 billion worth of additional capacity was planned. Government hospital construction costs ranged from \$20,000 to \$51,000 per bed, compared with about \$16,000 for private hospitals. The postal service, one of the nation's largest businesses, has revenues of \$1.3 billion, employs 500,000 people, and handles 37 billion pieces of mail annually; business methods have changed little since 1876.

THE PHOTOGRAPHS OF THE ARMY CLOTHING ISSUE, THE NAVY HOSPITAL, AND THE MAIL TRUCK ARE FROM HARRIS & EWING; THE SHIP AT SEA FROM PHILIP GENDREAU.





mendations of the Hoover Report, was not certified by the Citizens Committee as conforming to the Report, and was rejected by the Senate.

The reorganization plans for 1950 were likewise deficient in some respects. Plan 12, an attempt to abolish one of the offices of the National Labor Relations Board, involved a matter of policy and raised issues beyond the authority of the Hoover Report. It was not certified by the Citizens Committee and was defeated in the Senate.

Despite the suspicion cast on the rest of the reorganization plans by these two false moves, however, almost all the other plans were in conformity with the basic principles laid down by the Commission. The Citizens Committee certified all 26 of the plans which passed as conforming to the Report. Of the eight which were rejected, only four were so certified.

By these three methods, then—administrative action, reorganization plans, and public laws—almost 50 per cent of the Hoover Commission's recommendations are definitely enacted and in operation. Some of these fell short of the original recommendations and some varied in details, but most of them conform to the Report.

The Main Accomplishments

The Reorganization Act, under which the 26 plans mentioned above were adopted, permits the President to unsnarl some of the tangle of boards, bureaus, and agencies under him. "On the record," said the Citizens Committee, "this is the best reorganization act given any President of modern times."

A new General Service Agency, combining four previous agencies, has been created to bring a degree of common sense and efficiency to Government purchasing, storage, inventory, records management, and other housekeeping

procedures. It is hoped that General Services has ended the kind of confusion whereby one agency stocked a 93-year supply of fluorescent lamps and another laid away a 247-year supply of loose-leaf binders.

By administrative action, a modern budget format was adopted by the Bureau of the Budget for fiscal 1950-1951. It is a graphic, simple, and clear document, and has been praised by the Hoover Commission as the foremost advance in federal fiscal procedure in many decades.

An Accounting Procedures Act prescribes a new, modern, and uniform system of federal accounting. It can release several thousand federal employees from unnecessary work. It can end an accounting system that dates back to the first Secretary of the Treasury and slows down the business operations of the whole Government, with some agencies forced to wait twelve months or more to get the results of their previous year's activities. The Act is largely permissive, however, and requires firm execution if it is to do any good.

One bill, nicknamed the "President's time-saver," has relieved the President of legal obligation to sign great piles of documents relating to such affairs as Osage Indian oil royalties, whale-hunting licenses, and migratory birds. It saves about two weeks of Presidential working time each year.

The Commission found a virtually disintegrated Labor Department, with its logical functions scattered in other agencies throughout the Government. On Commission recommendations, the Department is being rebuilt to true cabinet stature.

Under Public Law 73, streamlining of the organizational structure of the State Department has begun. Communications have been improved within the Department, transactions have been expedited, and the Secretary's burden of paper work has been cut in two.

The Post Office Accounting Reform has brought a degree of reorganization to one function of the largest single Government business enterprise. The accounts of the Post Office had previously been kept by the General Accounting Office, an outside agency,

(Continued on page 57)

Our Government employs 2 million civilians, twice as many as the 50 largest corporations in this country combined. Among its various functions, the Government guarantees about \$90 billion in deposits and mortgages, and writes about \$40 billion worth of insurance. It is concerned as well with the conservation and development of our natural resources, aid and controls for commerce and industry, social welfare, foreign affairs, and national defense. Waste and confusion often occur when a variety of departments duplicate a single service.

THE PHOTOGRAPHS OF SOIL EROSION, THE PANAMA CANAL, AND THE CIVIL SERVICE EXAMINATION ARE FROM ACME; THE CATTLE GRAZING ARE FROM PHILIP GENDREAU.

WHAT FIVE MAJOR ADVANTAGES HAS ONE OF AMERICA'S LEADING PRODUCERS OF STEEL PLATE AND COMPONENTS GAINED FROM CREATING A MANAGEMENT COMMITTEE? WHAT DISADVANTAGES HAVE BEEN ENCOUNTERED? WHAT ARE THE PRINCIPAL FUNCTIONS OF SUCH AN ADVISORY BODY? WHAT TOPICS ARE REVIEWED WEEKLY BY THE LUKENS MANAGEMENT COMMITTEE?



LUKENS STEEL COMPANY PLANT AT COATESVILLE, PA., HOUSING LARGEST PLATE MILL IN THE WORLD—GORSAN PHOTOGRAPH FROM DEVANEY

The Management Committee: CO-ORDINATOR OF POLICIES AND PRACTISES

CHARLES LUKENS HUSTON, JR.

President, Lukens Steel Company

MOST thinking men agree that business management has two primary, closely allied, and difficult jobs. One is to maintain and improve the competitive position of the organization and the property placed in its charge by the stockholders; the other is to make a reasonable profit over the years.

Basically fundamental to the successful operation of a business enterprise is a soundly conceived line and staff organization where duties and responsibilities are clearly defined, well understood, and fully respected.

In many cases a business organization is the lengthened shadow of one man. In most instances, however, particularly in the larger concerns, responsibility for the various divisions of the company's activities needs to be delegated to executives who by their talents, experi-

ence, and judgment, are specialists in their fields. It is in co-ordinating the thinking and functional activities of these executives that the management committee has its place.

That the management committee is a practical organization is evidenced by a ten-year service record at Lukens Steel Company through a period when management's normally difficult decisions were complicated not only by prospects of partial or total mobilization, but also by war and post-war situations. Although such a committee has its limitations, its advantages in Lukens' experience far outweigh its disadvantages.

It was during the days of partial mobilization in 1940 that company executives conceived the idea of a management committee. The need had been becoming apparent for some time,

brought about largely by an expansion in facilities and product diversification.

Since 1810 Lukens Steel Company has specialized in the making of iron and steel plate. It supplied the boiler plate for Mississippi River steam boats; it furnished the firebox steel for the iron horse; it has been the source of steel plates for a multitude of manufacturers.

However in making steel plates and cutting them to size, originally, much material was left over. These ends became scrap for the open hearths. Then one day the suggestion was advanced that these ends be utilized to make steel plate objects such as washers, blanks, and bent and cut shapes. Accordingly, a wholly-owned subsidiary was set up to fabricate plate ends and pieces into useful steel plate articles for industrial uses.

A few years later, the use of welding

was forecast as a "coming thing." That this forecast was well based is evidenced by the success experienced by a second subsidiary established by Lukens. It was America's first commercial weldery, which was developed to fabricate, from steel plate and steel plate components, semi-finished and finished machinery.

As these subsidiaries grew and expanded, their corporate stock was vested largely in the parent company and they were located in the same community as the parent company. Nevertheless their business activities were carried on with distinct individuality. This individuality did not stop with plant operations, but continued over into the development of markets and sales efforts in these markets.

It did not take many years to reveal that the sales and operating policies of the three organizations, made individu-

ally, were causing difficulties and some embarrassment to one or both of the other concerns. It became obvious that increased and broader co-operation was necessary for the policies and practises of the parent company and its two subsidiaries.

When first appointed by the president of Lukens in 1940, the Management Committee consisted of the parent company's general manager as chairman, the company's operating superintendent, and the presidents of the two subsidiaries. The Committee was directed to concern itself with all improvements pertaining to the operations of the three companies, matters of policy, labor relations, wage systems, time studies, and in general to develop an improved operating balance among the three plants.

At that time the Committee was advised to call on the sales, finance, pur-

chasing, industrial relations, and other divisions of the company for such information and consultation as it might need. The Committee was given full power to act on all matters excepting those that should come before the Board of Directors, and was provided with the right to put into effect such plans as its members agreed upon after having obtained the approval of the president of the parent company.

In the course of the following eighteen months it was considered advisable to add to the Committee the Lukens vice-president in charge of sales, controller, director of industrial relations, and purchasing agent.

Committee Make-up Changed

Within the last few years the two subsidiaries have been dissolved as corporate entities and have been absorbed as divisions of the parent company. Lines of responsibility have reflected the change in that the vice-president in charge of operations is directly responsible for all three plants; the vice-president in charge of sales is responsible for all marketing activities.

The make-up of the Management Committee has also been changed. To-day the Committee consists of the vice-president in charge of operations as chairman, the vice-president in charge of sales, the company treasurer, the controller, the secretary, the director of industrial relations, the purchasing agent, and the general works manager. The chairman of the Management Committee is appointed by the company president.

The experience of the Committee has demonstrated five major advantages which have justified its establishment and continuance:

First, it offers consultative supervision in which two or more heads are better than one. In addition it results in uniformity of direction throughout the organization; it helps to provide co-ordination of long-term and short-term programs toward established objectives; it allows flexibility for emergency situations, should they arise, without interfering with basic schedules. Finally, it gives executives the benefit of broader experience and interchangeability of management personnel.

Over all, the Management Commit-

The practicality of the Management Committee is evidenced by its ten-year service record at Lukens. This has been during a period when management's normally difficult decisions were complicated by prospects of partial or total mobilization as well as by war and post-war situations. The Committee's advantages in Lukens' experience outweigh its drawbacks.

DEVANEY PHOTOGRAPH



tee at Lukens has been primarily an advisory body. Line responsibility of division heads is strictly adhered to for such decisions as affect one division alone. Decisions affecting more than one division are developed by the Committee as a whole. When opinion in the Management Committee is divided, the president, who sits as an ex-officio member, "calls the shot" after due deliberation of the problem.

Free discussion by members of this group concerning general policies and practices before they are established makes for better understanding, improved co-ordination, and close co-operation between divisions and departments of the company.

Topics Regularly Discussed

Every Monday morning, as regular as clock-work, the Management Committee members sit down in the conference room to discuss many things which are of importance. Meeting weekly, the Committee has occasion to review frequently and without too much delay vital matters. Subjects regularly reviewed include current operating and sales performances, the company's financial position, cost developments, proposed capital manufacturing expenditures, current manufacturing inventories and procurement problems, customers' claims or complaints and their handling, and requests for charitable or civic donations.

These are the general topics on each week's agenda. In addition, however, each Committee member reviews important projects either contemplated or under way in the departments of the business under his supervision. Brief minutes are taken during each meeting and these are distributed to the various Committee members for their permanent records.

Discussion, when time permits, does not stop with the foregoing topics but continues on to other matters which may properly be brought before the Management Committee. Such topics include progress of the company's continuing plan of cost improvement, company patent applications, any developments concerning pensions or social insurance, consideration of annual or semi-annual reports from divisions, handling of quarterly reports



MACHINING HIGH SPEED GEARS—DEVANEY PHOTOGRAPH

Pensions and social security as well as reports to employees form part of the agenda which may be brought before the Management Committee. The Committee is primarily an advisory body whose free discussion of proposed general policies and practices makes for better understanding and co-operation between the various divisions and departments.

to stockholders and employees, public relations projects, division budgets, proposed national and State legislation likely to affect the company, research and development engineering projects, litigation involving the company, important contracts and agreements, plant visitations, and other projects involving health and welfare of employees.

This seems like a multitude of things to be considered in the short space of a four-hour meeting. The work is accomplished, first, by brief reports after which action is taken where substantial agreement can be reached by Committee members. Where opinion is divided, the matter is either postponed for further study or discussion, or it is put up to the president to decide.

On some specific matters, especially those of particular importance, subcommittees are appointed to study the situation and to report back their findings to the main body.

When a recommendation is made by the Management Committee to the Board of Directors, the proposal carries considerably more weight than if it

were submitted by an individual executive. This is because the directors know that the recommendation has come to them only after it has had the basic appraisal and approval of Management Committee members representing all of the important divisions of the company.

As we see it, there are three main disadvantages which might be ascribed to the operation of the management committee. The opportunity exists to share, but at the same time to diffuse and possibly cloud what otherwise would be a clear-cut responsibility. There is also the possibility of slower decisions and of slower actions on company matters. Nevertheless, at Lukens we firmly believe that the advantages far outweigh the disadvantages, and that the former become more and more apparent as management faces new and more difficult conditions all along the line and develops the value of consultative supervision in bringing together the many related factors which, properly co-ordinated, make for successful operation of the business.



DEVANEY PHOTOGRAPH

*T*HE EXCESS PROFITS TAX IS HERE AGAIN, BUT IT'S NOT LIKE THE OLD ONE. NEW BASES, DIFFERENT EXEMPTIONS, AND ALTERNATIVE METHODS TO CALCULATE A COMPANY'S TAX WILL OFFER RELIEF TO THOSE WHO TAKE ADVANTAGE OF THE FLEXIBILITY AFFORDED BY THE LAW. OF THE POSSIBLE APPROACHES, WHICH IS MOST DESIRABLE FOR YOUR COMPANY?

Fourteen Ways' to Compute A COMPANY'S EXCESS PROFITS TAX

J. K. LASSER and WILLIAM J. CASEY

J. K. Lasser and Company

A TAX RATE of 77 per cent can't help but have a profound impact on all financial plans and decisions. The new excess profits tax had only the immediate post-war years, 1946 to 1949, to take as its measure of normal earnings. These were years of boom. They were years when commercial application was being given to a surging war boom technology.

More new corporations were created than in any other period. Many companies, almost at a halt in 1945 or faced by a task of reconversion, moved their earnings level steadily upward over the succeeding years. There was a vast expansion of plant and equipment. For all these reasons corporations were at different stages in achieving and realizing on their earning power.

Now we come into a period where expanded production is at a high premium. The shift to military production will lift the level of operations for some companies and cut others back. The inflation of recent months has cut the value of the profit dollar and, despite price control, we must expect still more inflation. We will see a scramble for any profits which rear their heads above the 1946-1949 level.

The excess profits tax will claim 77 per cent and perhaps more next year. But renegotiation officers from the Pentagon may get there first, and also apply, among other tests, a 1946-1949 earnings level to see how much of the profit on military work can be returned to military budgets.

Cramped under a variety of profit

restrictions and faced with a distinct need to expand operations and capacity, we can expect what might be called "a relief economy." This relief will come from three main sources: administrative grace of price control authorities; the assistance of military and other defense authorities in paying for and financing new tooling and facilities; and the skill and resourcefulness of business men and their counsel in taking advantage of tax relief afforded by the law.

While recognizing the great variety of past experiences and the nature of future requirements for expansion, those who drafted the excess profits law of 1950 had one other prime objective. They did not want another Section 722. They would give relief, but they wanted to keep away from broad discretion,

theoretical projections, hypotheses, and speculative reconstructions.

The desire to meet the requirements of a complicated, varied, and growing economy did not blend very well with the determination that adjustments and relief would be entirely predetermined and independent of anybody's discretion. The result is a law which gives taxpayers a record number of different options, but provides little flexibility for companies which are still not protected from injury by any of the available options.

Basis for Relief

Relief is based on a flexibility in selecting the base years to measure the normal earnings exempt from the tax and then, if the base years don't give a proper exemption, industry statistics are applied with great rigidity to determine normal earnings.

Some elbow room is afforded by allowing a more generous return on capital and capital additions than the World War II excess profits tax. Industries falling into the public utility category and extra-active industries have been given special treatment.

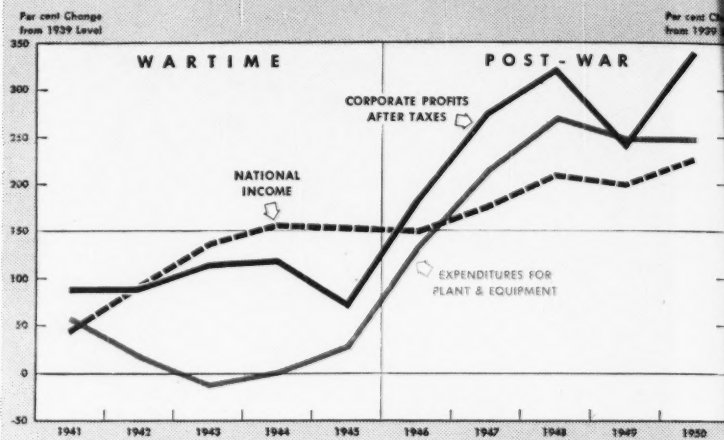
An ordinary corporation may be able to qualify for no less than fourteen optional methods for getting its excess profits credit, which is the measure of normal earnings to be exempted from the 30 per cent rate on excess profits. There is a minimum credit of \$25,000. This is only of value to companies which can not develop an actual credit in excess of that figure. The actual credit may be obtained on a capital basis or an income basis.

There are two methods of getting an invested capital credit—the old World War II "historical method" or a new "asset method." Under the "historical method" the company figures its credit on the original paid-in capital and surplus, plus any net accumulations of earnings up to the beginning of the company's taxable year.

Under the newly developed "assets approach," take the aggregate basis of the company's assets, including its retained earnings, subtract its liabilities and its net losses, if any, for the 1946-1949 period or the 1940-1949 period, whichever are greater.

Given the two approaches—which

CHANGING LEVELS OF BUSINESS INDICATORS



OPTIMUM SALARIES FROM BUSINESS INCOMES

| Net Business Income* before Salary | Salaries** for Various Portions of Business Income Affected by 30% Excess Profits Tax | | | |
|------------------------------------|---|----------|----------|----------|
| | 0% | 20% | 40% | 60% |
| \$25,000 | \$10,200 | \$10,200 | \$10,200 | \$10,200 |
| 50,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 75,000 | 30,200 | 39,160 | 48,120 | 57,080 |
| 100,000 | 30,200 | 44,160 | 58,120 | 72,080 |
| 150,000 | 30,200 | 54,160 | 78,120 | 102,080 |
| 200,000 | 30,200 | 64,160 | 98,120 | 122,200 |
| 250,000 | 30,200 | 74,160 | 118,120 | 122,200 |
| 300,000 | 30,200 | 84,160 | 122,200 | 122,200 |
| 500,000 | 30,200 | 122,200 | 122,200 | 122,200 |

* Same for normal surtax and excess profits tax net income.

** Married man, no children, optional deduction.

is more advantageous? The answer will be of most significance to taxpayers who have had deficits at some time during their corporate existence. For example, under the historical approach, a net deficit has no effect on paid-in capital or paid-in surplus. Under the asset approach, however, a net deficit incurred prior to 1946 or 1940—depending upon which period is more advantageous to the taxpayer—reduces capital or surplus previously paid in.

But a net deficit incurred subsequent to 1940 or 1946 will not reduce capital or surplus paid in at any time, nor will it reduce earnings and profits realized prior to 1940 or 1946. Thus, for corporations with recent losses, the balance

is weighted in favor of the asset approach, while corporations showing losses over their whole life span would probably benefit from the historical approach.

Invested capital includes 75 per cent of borrowed capital, evidenced by a bond or note or conditional sales contract. Of the interest paid on such borrowings 75 per cent may not be deducted for excess profits purposes. The invested capital credit and the new capital credit will be reduced by inadmissible assets included in the company's assets.

The distinction between admissible and inadmissible assets is purely statu-

(Continued on page 46)



"COME GET YOUR GRAPEADE—ONLY 4 CENTS A GLASS!" CRIES THE YOUTHFUL RETAILER TO HER YOUNG CUSTOMERS. HERE IS THE DIRECT, BUSINESSLIKE APPROACH WHICH MANY OF HER ELDERS IN THE FIELD MIGHT WELL EMULATE.—CUSHING PHOTOGRAPH

*H*AWKING THEIR WARES IN TIMES OF WORLD STRESS, VENDORS OF MERCHANDISE ARE AGAIN TEMPTED INTO THE LAXITIES OF A SELLERS' MARKET. WHAT SALES STRATEGIES DO TO-DAY'S RETAIL PERSONNEL MOST LACK? HOW DOES SELLING EFFICIENCY COMPARE AMONG THE VARIOUS KINDS OF RETAIL ESTABLISHMENTS? HOW CAN SALESMAN-PATRON RELATIONS BE IMPROVED?

Our Retail Selling Ills— A DIAGNOSIS

N. H. COMISH

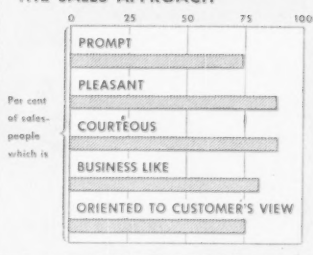
*Professor of Business Administration
University of Oregon*

*T*WO FORMER investigations made by the author and some of his research students (see *Dun's REVIEW*, January 1949 and 1950) indicate that more customers quit trading at stores because of the inefficiency of salespeople than for any other reason. Also more patrons prefer to trade at one store rather than another because of efficient salespeople than for any other reason.

Because of these facts, the writer set out to discover some of the selling methods and knowledge used by store salesmen. Under his supervision 40 of his research students made a shopping survey of 4,002 salespeople in 24 retail classifications in Oregon in 1950.

The author made up a questionnaire dealing specifically with the approach

THE SALES APPROACH



of salespeople, their knowledge of merchandise, their selling appeals, and personality features. The methods they employed to close sales, to suggest purchases of additional merchandise, and to answer common objections to buying were also investigated.

Copies of the questionnaire were made and distributed to the research students, all of whom had been trained in salesmanship and most of whom had had retail selling experience.

Each investigator went into representative types of stores throughout the State. He contacted salesperson after salesperson, pretending that he wanted to buy merchandise valued at \$5 or more. He observed the knowledge and methods employed by the salesman, asked appropriate questions from time to time to bring out selling points, and stayed on an average of ten minutes with each salesperson.

After each salesman had been tested, the investigator slipped out of the store and filled out a copy of the questionnaire while the data were fresh in his

memory. Neither the salespeople nor the store officials knew that the tests were being made.

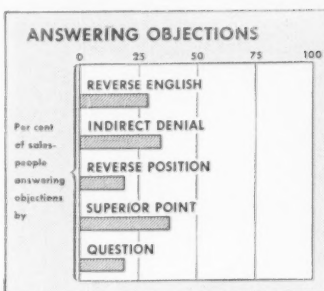
Data concerned the salesperson's approach, his taking the customer's viewpoint, his knowledge of the merchandise, and his methods of answering the customer's objections to buying, of closing sales and of suggesting additional purchases. These were applied to all the salespeople combined, to department store sales personnel, and to women's wear salespeople.

Prompt, but No Pounce

Let us now consider results relating to the approach and customer's viewpoint. By a prompt approach is meant one in which the salesperson approaches the customer at the logical moment. He does not pounce upon the patron, but leisurely walks up to him without delay and puts the customer at ease by a salutation which indicates a genuine desire to serve in accordance with the customer's interests.

Out of 4,002 salespeople, 74.8 per cent have a prompt approach. Of 887 department store salespersons, 76 per cent make a prompt approach. And out of 611 saleswomen in the women's wear classification just 55 per cent exhibit a prompt approach.

Thus, about one-fourth of the salespeople in the first two groupings are

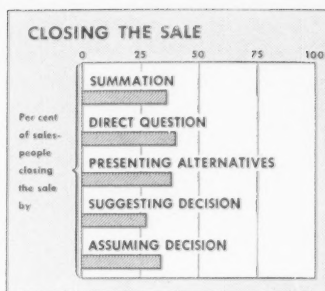


wanting in promptness of approach and nearly one-half of the third category. Women's wear salespeople make the poorest showing as a group.

A pleasant approach is demonstrated by the salesperson who meets the customer with a sincere and pleasant smile and a willing attitude to be of service.

Nearly 89 per cent of the first classification exhibit pleasant approaches, while 94 per cent of the second group do, and only 80.4 per cent of the third. So, from about 6 to 20 per cent of these salespeople are deficient in pleasantness. The women's wear saleswomen offend more often in this respect.

By a courteous approach is meant one that exhibits politeness on the part of the salesperson in his actions, manners, and speech. Again, the women's wear salespeople tail the other two groups in this element of the approach.

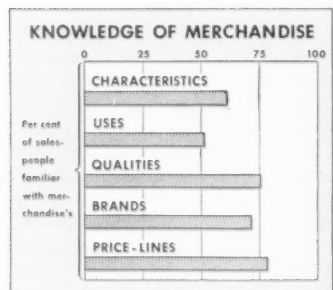


While only 76.4 per cent of this group have courteous approaches, as many as 89 and 94 per cent of the all-types classification and the department store category make courteous approaches to their customers.

A businesslike approach is one in which the salesperson addresses himself to the customer's interests rather than expatiating on his own personal experiences which have no relation to the selling incident. Once again the women's wear group shows the greatest deficiencies of the three groups.

Some 81.4 per cent of all salespeople make businesslike approaches, 80 per cent of the department store, and 70.5 per cent of the women's wear salespeople. So, from about 10 to 24 per cent of these salespeople need to adhere more closely to business.

As to the customer's viewpoint, a
(Continued on page 65)



Salespersons in women's apparel shops surpass the retail personnel of department stores and all stores collectively in a knowledge of the uses of their wares and in their familiarity with the store location of merchandise. Retailers of female garb also lead in the utilization of the most effective methods for answering customers' objections and for concluding the sales transaction. They are remiss, however, in their methods of approach, in replying to patrons' denials by a superior point, and in suggesting additional buying.





THE EFFORTS OF THE HELMSMAN WERE USELESS AFTER THE FULL FURY OF THE STORM HAD BROKEN ACROSS HER BOW. BUT WHO WAS TO BLAME AND HOW COULD IT HAVE BEEN AVOIDED? WAS IT FAULTY CONSTRUCTION, POOR SEAMANSHIP, OR UNWISE SAILING ORDERS THAT RESULTED IN SUCH A TRAGIC FAILURE? HOW ARE THESE QUESTIONS ANSWERED BY BUSINESSES THAT HAVE FOUNDERED?

Why Do Businesses Fail?

GRIFFITH M. JONES

Assistant to the President
DUN & BRADSTREET, INC.

CLASSIFICATION OF CAUSES OF BUSINESS FAILURES IN U. S.—YEAR 1950

BASED ON OPINIONS OF INFORMED CREDITORS AND INFORMATION IN DUN & BRADSTREET'S CREDIT REPORTS

| MANU- FAC- TURING | WHOLE- SALE | RETAIL PER CENT | CON- STRUC- TION | COM- MER- CIAL SERVICE | TOTAL | UNDERLYING CAUSES | | APPARENT CAUSES | MANU- FAC- TURING | WHOLE- SALE | RETAIL PER CENT | CON- STRUC- TION | COMMER- CIAL SER- VICE | TOTAL |
|-------------------------|----------------|--------------------|------------------------|---------------------------------|-----------|--|--|---|-------------------------|----------------|--------------------|------------------------|------------------------------|-------|
| | | | | | | | | | | | | | | |
| 3.3 | 5.8 | 7.0 | 6.3 | 4.9 | 5.8 | NEGLECT: | Due to | Bad Habits | 0.8 | 1.6 | 2.1 | 1.9 | 1.5 | 1.7 |
| | | | | | | | | Poor Health | 1.5 | 2.2 | 2.6 | 2.8 | 2.2 | 2.3 |
| | | | | | | | | Marital Difficulties | 0.3 | 0.6 | 0.9 | 0.4 | 0.7 | 0.6 |
| | | | | | | | | Other | 0.7 | 1.4 | 1.4 | 1.2 | 0.5 | 1.2 |
| 2.9 | 6.6 | 3.7 | 3.3 | 3.7 | 3.8 | FRAUD: | On the part of the principals, reflected by | Misleading Name | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| | | | | | | | | False Financial Statement | 0.4 | 1.0 | 0.8 | 0.5 | 0.4 | 0.6 |
| | | | | | | | | Premeditated Overbuy | 0.3 | 1.1 | 0.3 | 0.1 | 0.3 | 0.4 |
| | | | | | | | | Irregular Disposal of Assets | 1.7 | 3.5 | 2.0 | 2.4 | 2.7 | 2.2 |
| | | | | | | | | Other | 0.4 | 1.0 | 0.5 | 0.3 | 0.3 | 0.5 |
| 13.4 | 13.0 | 19.4 | 10.5 | 13.6 | 16.0 | LACK OF EXPERIENCE IN THE LINE | Evidenced by inability to avoid conditions which resulted in | Inadequate Sales | 54.3 | 45.9 | 45.9 | 26.4 | 43.9 | 45.7 |
| 12.3 | 13.4 | 16.8 | 17.8 | 15.7 | 15.4 | LACK OF MANAGERIAL EXPERIENCE | | Heavy Operating Expenses | 10.4 | 9.2 | 8.9 | 19.4 | 13.5 | 10.7 |
| 14.8 | 11.8 | 12.4 | 16.0 | 15.7 | 13.5 | UNBALANCED EXPERIENCE* | | Receivables Difficulties | 12.6 | 19.4 | 5.2 | 15.1 | 7.9 | 9.6 |
| 50.0 | 46.7 | 37.3 | 39.8 | 40.1 | 41.7 | INCOMPETENCE | | Inventory Difficulties | 11.2 | 14.2 | 13.4 | 2.4 | 2.6 | 11.0 |
| | | | | | | | | Excessive Fixed Assets | 15.4 | 4.0 | 10.7 | 4.9 | 17.2 | 10.9 |
| | | | | | | | | Poor Location | 0.9 | 2.0 | 6.9 | 1.8 | 3.1 | 4.2 |
| | | | | | | | | Competitive Weakness | 12.8 | 12.5 | 14.0 | 18.1 | 11.1 | 13.7 |
| | | | | | | | | Other | 7.2 | 6.2 | 5.1 | 9.1 | 5.2 | 6.1 |
| 1.9 | 1.7 | 1.5 | 0.5 | 1.5 | 1.5 | DISASTER: | Some of these occurrences could have been provided against through insurance | Fire | 1.0 | 0.7 | 0.7 | 0.2 | 0.3 | 0.6 |
| | | | | | | | | Flood | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| | | | | | | | | Burglary | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 |
| | | | | | | | | Employees' Fraud | 0.2 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 |
| | | | | | | | | Strike | 0.2 | 0.1 | 0.1 | 0.2 | 0.4 | 0.1 |
| | | | | | | | | Other | 0.5 | 0.7 | 0.3 | 0.1 | 0.6 | 0.4 |
| 1.4 | 1.0 | 1.9 | 5.8 | 4.8 | 2.3 | REASON UNKNOWN | | Because some failures are attributed to a combination of apparent causes, the totals of these columns exceed the totals of the corresponding columns on the left. | | | | | | |
| 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | TOTAL | | PER CENT OF TOTAL FAILURES | 22.6 | 11.1 | 48.3 | 10.0 | 8.0 | 100.0 |
| 2,074 | 1,016 | 4,429 | 912 | 731 | 9,162 | NUMBER OF FAILURES ESTIMATED NUMBER OF LISTED NAMES IN EACH GROUP* | | PER CENT OF TOTAL LISTED NAMES | 10.4 | 8.1 | 58.9 | # | # | 100.0 |
| 262,016 | 204,070 | 1,483,920 | # | # | 2,519,388 | CURRENT LIABILITIES IN THOUSANDS | | PER CENT OF TOTAL CURRENT LIABILITIES | 38.3 | 13.5 | 29.3 | 10.3 | 8.6 | 100.0 |
| 395,094 | \$33,594 | \$72,691 | \$25,651 | \$21,253 | \$248,283 | AVERAGE LIABILITIES PER FAILURE | | FAILURE RATE FOR EACH GROUP** | 79.2 | 49.8 | 29.8 | # | # | 34.3 |
| 345,851 | \$33,065 | \$16,413 | \$28,126 | \$29,074 | \$27,099 | | | | | | | | | |

** Annual rate of failures per 10,000 listed names.

* Experience not well rounded in sales, finance, purchasing, and production on the part of an individual in case of

a proprietorship, or of two or more partners or officers constituting a management unit.

The number of names in each group is an estimate, but

the total number of names was obtained by an actual count of the names, excluding branches, listed in the Reference Book at the end of 1950.

VITAL STATISTICS OF INDUSTRY AND COMMERCE

Based upon Listings in the DUN & BRADSTREET REFERENCE BOOK

TOTAL NUMBER OF CONCERNS AND RELATED FAILURE STATISTICS

| YEAR | REFERENCE BOOK NAMES LISTED* END OF YEAR | TOTAL NUMBER OF FAILURES | FAILURE RATE PER 10,000 LISTED NAMES | TOTAL CURRENT LIABILITIES | AVERAGE LIABILITIES PER FAILURE |
|------|--|--------------------------------|--|---------------------------------|---------------------------------------|
| 1929 | 2,205,210 | 22,909 | 104 | \$483,252,000 | \$21,094 |
| 1930 | 2,153,191 | 26,355 | 122 | 668,282,000 | 25,357 |
| 1931 | 2,138,694 | 28,285 | 133 | 736,110,000 | 26,032 |
| 1932 | 2,010,713 | 31,822 | 154 | 928,114,000 | 29,172 |
| 1933 | 1,983,807 | 19,859 | 100 | 457,520,000 | 23,038 |
| 1934 | 1,991,446 | 12,091 | 61 | 343,959,000 | 27,621 |
| 1935 | 1,998,527 | 12,244 | 62 | 310,580,000 | 25,366 |
| 1936 | 2,045,275 | 9,607 | 48 | 203,173,000 | 21,148 |
| 1937 | 2,098,860 | 9,490 | 46 | 184,283,000 | 19,310 |
| 1938 | 2,117,962 | 12,316 | 61 | 246,505,000 | 19,204 |
| 1939 | 2,141,223 | 14,768 | 70 | 182,520,000 | 12,359 |
| 1940 | 2,078,682* | 14,619 | 63 | 166,684,000 | 12,239 |
| 1941 | 2,090,163 | 11,848 | 55 | 136,104,000 | 11,488 |
| 1942 | 2,008,213 | 9,405 | 45 | 160,763,000 | 10,713 |
| 1943 | 1,871,876 | 3,221 | 16 | 45,339,000 | 14,076 |
| 1944 | 1,789,694 | 1,222 | 7 | 31,660,000 | 25,908 |
| 1945 | 1,888,356 | 809 | 4 | 30,225,000 | 37,361 |
| 1946 | 2,174,608 | 1,129 | 5 | 67,349,000 | 59,654 |
| 1947 | 2,371,305 | 3,474 | 14 | 204,612,000 | 58,898 |
| 1948 | 2,516,679 | 5,250 | 20 | 234,620,000 | 44,690 |
| 1949 | 2,574,977 | 9,246 | 34 | 308,109,000 | 33,323 |
| 1950 | 2,519,388 | 9,162 | 34 | 248,283,000 | 27,099 |

NOTES: The names in the *Reference Book* include only a limited percentage of all service and construction enterprises; therefore, comparative statistics on failures and concerns in business are not provided in these tables for construction and commercial service.

* *Reference Book* listings exclude branches from 1940 to date. Prior to 1940 no figures on branches were available; in 1940 they totalled 101,717.

** While the total number of names was obtained by an actual count, the number in each group is an estimate.

| YEAR | REFERENCE BOOK ESTIMATED NUMBER** | PER CENT OF TOTAL LISTED NAMES | NUMBER OF FAILURES | PER CENT OF TOTAL FAILURES | FAILURE RATE PER 10,000 LISTED NAMES | CURRENT LIABILITIES | PER CENT OF TOTAL CURRENT LIABILITIES | AVERAGE LIABILITIES PER FAILURE |
|------|---|--------------------------------------|-----------------------|----------------------------------|--|------------------------|---|---------------------------------------|
|------|---|--------------------------------------|-----------------------|----------------------------------|--|------------------------|---|---------------------------------------|

NUMBER OF MANUFACTURING CONCERNS AND RELATED FAILURE STATISTICS

| | | | | | | | | |
|------|---------|------|-------|------|-------|--------------|------|----------|
| 1939 | 203,416 | 9.5 | 2,919 | 19.7 | 143.5 | \$71,152,000 | 39.0 | \$24,375 |
| 1940 | 201,632 | 9.7 | 2,455 | 18.0 | 121.8 | 66,799,000 | 40.1 | 27,209 |
| 1941 | 200,016 | 10.0 | 1,974 | 16.7 | 94.4 | 51,243,000 | 37.6 | 25,959 |
| 1942 | 208,854 | 10.4 | 1,598 | 16.0 | 72.1 | 31,200,000 | 31.0 | 20,731 |
| 1943 | 209,650 | 11.2 | 567 | 17.6 | 27.0 | 19,059,000 | 42.0 | 33,614 |
| 1944 | 200,446 | 11.2 | 352 | 28.8 | 17.6 | 20,172,000 | 64.7 | 57,107 |
| 1945 | 211,496 | 11.2 | 280 | 34.6 | 13.2 | 17,247,000 | 57.1 | 61,596 |
| 1946 | 250,090 | 11.5 | 366 | 41.3 | 18.6 | 38,887,000 | 57.7 | 83,448 |
| 1947 | 270,329 | 11.4 | 1,275 | 36.7 | 47.2 | 142,727,000 | 69.8 | 111,943 |
| 1948 | 281,868 | 11.2 | 1,481 | 28.2 | 52.5 | 130,292,000 | 55.5 | 87,976 |
| 1949 | 257,498 | 10.0 | 2,431 | 25.2 | 90.5 | 143,265,000 | 46.5 | 61,261 |
| 1950 | 262,016 | 10.4 | 2,074 | 22.6 | 79.2 | 95,094,000 | 38.3 | 45,851 |

NUMBER OF WHOLESALE CONCERNS AND RELATED FAILURE STATISTICS

| | | | | | | | | |
|------|---------|-----|-------|------|-------|--------------|------|----------|
| 1939 | 130,179 | 6.5 | 1,534 | 10.4 | 110.2 | \$23,942,000 | 13.1 | \$15,608 |
| 1940 | 145,508 | 7.0 | 1,316 | 9.7 | 90.4 | 20,405,000 | 12.2 | 15,505 |
| 1941 | 156,762 | 7.5 | 1,045 | 8.8 | 66.7 | 18,581,000 | 13.7 | 17,781 |
| 1942 | 150,616 | 7.5 | 760 | 8.1 | 50.5 | 11,682,000 | 11.6 | 15,371 |
| 1943 | 140,391 | 7.5 | 257 | 8.0 | 18.3 | 3,108,000 | 6.9 | 12,093 |
| 1944 | 137,806 | 7.7 | 94 | 7.7 | 6.8 | 1,700,000 | 5.4 | 18,085 |
| 1945 | 149,180 | 7.9 | 61 | 7.5 | 4.1 | 1,214,000 | 4.0 | 19,902 |
| 1946 | 176,151 | 8.1 | 99 | 8.8 | 5.6 | 11,480,000 | 17.1 | 115,960 |
| 1947 | 187,333 | 7.9 | 447 | 12.8 | 23.9 | 21,138,000 | 10.3 | 47,289 |
| 1948 | 203,851 | 8.1 | 669 | 12.7 | 32.8 | 26,066,000 | 11.1 | 38,963 |
| 1949 | 211,148 | 8.2 | 1,110 | 12.0 | 52.6 | 34,163,000 | 14.0 | 38,886 |
| 1950 | 204,070 | 8.1 | 1,016 | 11.1 | 49.8 | 33,594,000 | 13.5 | 31,065 |

NUMBER OF RETAILING CONCERNS AND RELATED FAILURE STATISTICS

| | | | | | | | | |
|------|-----------|------|-------|------|------|--------------|------|---------|
| 1939 | 1,402,501 | 65.5 | 9,050 | 61.3 | 64.5 | \$67,378,000 | 36.9 | \$7,445 |
| 1940 | 1,361,517 | 65.5 | 8,105 | 62.4 | 62.4 | 58,115,000 | 34.9 | 6,841 |
| 1941 | 1,360,057 | 65.5 | 7,889 | 64.1 | 55.4 | 48,934,000 | 36.0 | 6,438 |
| 1942 | 1,303,330 | 64.9 | 5,889 | 62.6 | 45.2 | 40,421,000 | 40.1 | 6,864 |
| 1943 | 1,203,616 | 61.3 | 1,764 | 54.7 | 14.6 | 12,722,000 | 28.1 | 7,224 |
| 1944 | 1,140,395 | 63.7 | 493 | 40.4 | 4.3 | 3,924,000 | 12.4 | 7,959 |
| 1945 | 1,180,223 | 62.5 | 290 | 35.9 | 2.5 | 3,127,000 | 10.3 | 10,781 |
| 1946 | 1,320,042 | 60.7 | 302 | 26.9 | 2.3 | 6,237,000 | 9.3 | 20,635 |
| 1947 | 1,425,154 | 60.1 | 1,222 | 35.2 | 8.6 | 21,459,000 | 10.5 | 17,561 |
| 1948 | 1,497,424 | 59.5 | 2,185 | 41.6 | 14.6 | 30,810,000 | 17.0 | 18,224 |
| 1949 | 1,547,661 | 60.1 | 4,246 | 45.9 | 27.4 | 71,273,000 | 23.1 | 16,786 |
| 1950 | 1,483,020 | 58.0 | 4,429 | 48.3 | 29.8 | 72,691,000 | 29.3 | 16,413 |

THE TREND OF BUSINESS



CORSON PHOTOGRAPH FROM DIVANEX

PRODUCTION
PRICES
TRADE
FINANCE

Rail slowdowns early in February temporarily idled shipments of producers' goods and finished products. Ample manufacturers' stocks, however, allowed production far in excess of last year's levels. Price and wage regulations cast uncertainties over large segments of the economy. Consumer spending continued to surpass that of a year ago.

THE LARGEST physical product since World War II poured from the nation's mines and assembly lines midway in the first quarter. First estimates for February output placed the Federal Reserve Board's industrial production index near January's 219 per cent of the 1935-1939 average; output had risen 20 per cent since February last year and 10 per cent since the outbreak of Korean strife.

Railway sick calls of unusual proportions early in February dented the otherwise steady outflow of goods. By the third week of the month, however, production was again pushing forward at or near capacity levels. Despite the rail slowdown, production of basic industries was maintained at substantially higher levels than in the first two weeks of February last year.

Steel ingot output, for example, aver-

aged 13 per cent above that of a year ago, crude oil output and lumber production were both up 18 per cent, and soft coal output exceeded two and one-half times that of a year ago when strikes beset the bituminous mines. One exception was the automotive industry; output dipped 8 per cent below a year ago in the second week.

Final tallies for the month of January indicated steel production to be the highest for any month on record. Totalling 8,830,000 net tons, the January output surpassed the previous high of last October by 90 thousand tons. It exceeded last year's first month production by 11 per cent. Steel operations in January averaged 99.7 per cent of the nation's over-all steel-making capacity.

Production of crude copper in Janu-

ary aggregated 81,833 tons, somewhat less than in the final month of 1950, but 11 per cent more than a year ago. Dipping very slightly from the previous month, January production of refined copper, at 110,144 tons, remained 16 per cent above the January level of a year ago.

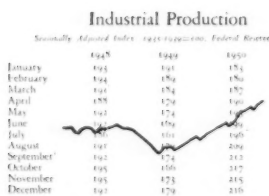
Harassed by continued shortages of raw materials, automotive producers in February strove vigorously to offset the effects of such inconveniences. By the middle of the month, some chromeless cars had already begun to appear in dealers' showrooms. More austerity models were in the offing. Production in the first month of 1951 totalled 624,223 units.

Although this represented a meagre drop from December, it bettered the January output figure of last year by 5 per cent. It was estimated that out-

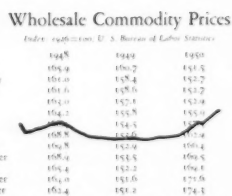
Weekly Signposts of Activity

| WEEKLY AVERAGES | 1939 | 1950 | SELECTED BUSINESS INDICATORS | LATEST WEEK | PREVIOUS WEEK | YEAR AGO | WEEK ENDED |
|-----------------|------|------|--|-------------|---------------|----------|------------|
| 102 | 186 | | Steel Ingot Production Ten Thousand Tons | 200 | 199 | 140 | Mar. 3 |
| 76 | 98 | | Bituminous Coal Mined Hundred Thousand Tons | 109 | 85 | 24 | Feb. 17 |
| 69 | 154 | | Automobile Production Thousand Automobiles | 178 | 169 | 117 | Feb. 24 |
| 31 | 62 | | Electric Power Output Hundred Million K.W.Hs. | 69 | 70 | 59 | Feb. 17 |
| 65 | 75 | | Freight Carloadings Ten Thousand Cars | 74 | 57 | 56 | Feb. 17 |
| 109 | 304 | | Department Store Sales Index Number | 272 | 273 | 231 | Feb. 17 |
| 77 | 161 | | Wholesale Prices Index Number | 183 | 182 | 153 | Feb. 13 |
| 74 | 237 | | Bank Debits Hundred Million Dollars | 226 | 251 | 193 | Feb. 14 |
| 76 | 272 | | Money in Circulation Hundred Million Dollars | 271 | 271 | 270 | Feb. 14 |
| 219 | 176 | | Business Failures Number of Failures | 127 | 165 | 210 | Feb. 22 |

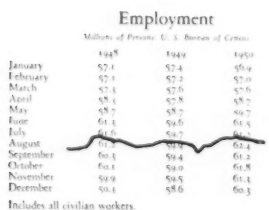
Sources: Amer. Iron & Steel Inst.; U. S. Bureau of Mines; Automotive News; Edison Electric Inst.; Amer. Assoc. of Railroads; Federal Reserve Board; U. S. Bureau of Labor Statistics; DUN & BRADSTREET, INC.



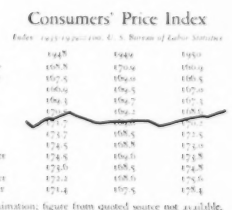
† Approximation, figure from quoted source not available.



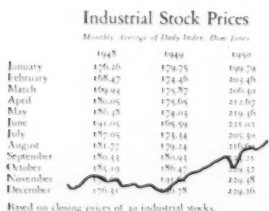
† Approximation, figure from quoted source not available.



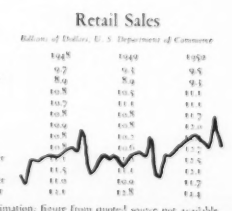
Includes all civilian workers.



† Approximation, figure from quoted source not available.



Based on closing prices of 30 industrial stocks.



† Approximation, figure from quoted source not available.

put for the current year would be 20 to 30 per cent below the record 8 million cars and trucks that rolled off the assembly lines last year.

The value of new construction put in place during January, at \$2,073 million, established a new high for that month. Although it was 7 per cent below December's construction volume (there is usually a seasonal drop at the turn of the year), it was 21 per cent above the January 1950 level. Part of this rise reflected the higher prices paid for construction materials this year than last; wholesale building material prices rose 16 per cent during 1950, according to the Bureau of Labor Statistics.

With the gathering momentum of mobilization, national expenditures for the Army, Navy, and Air Force climbed to an annual rate of \$19.8 billion in January compared with \$18.5 billion a month earlier. Military spending in the first month of 1951 dwarfed its corresponding figure of last year by more than one and one-half times.

Employment Continued absorption of men into the ranks of the military from the nation's farms and factories partly accounted for a depletion, by one million persons in January, of the civilian labor force. Farm workers leaving the labor force at the end of the crop season in various Southern communities also contributed partly to the decline. Despite this month-to-month drop, persons at work or available for hire were 87 thousand more numerous than a year ago.

Total civilian employment at 59 million persons in January, represented 95.9 per cent of the total civilian labor force, a slight drop from December, but noticeably above last year when 56.9 million persons or 92.7 per cent of the labor force were employed.

The rise from a year ago was instrumented by a 4 per cent increase in non-agricultural employment, the number of farm workers having dropped 3 per cent from the January 1950 level. Increasing numbers of farm hands were being attracted to defense jobs in in-

dustry, although industrial workers themselves were suffering some temporary conversion displacements.

The cordons of the jobless increased by 12 per cent to 2.5 million in January. This was the largest number out of work since last July, but well below last year when January's unemployment rolls tallied 4.5 million persons.

Prices and Wages Despite the late January freeze, spot commodity prices continued to penetrate new high altitudes in February. Climbing to 183.3 per cent of the 1926 average in the week ended February 13, the Bureau of Labor Statistics Wholesale Commodity Price Index indicated a 20 per cent increase above the corresponding price level of a year ago and a 17 per cent rise from the pre-Korean level.

Abetting the already forbidding complications of price control was the fact that, under terms of the Defense Production Act, farm product ceilings could not be less than either current parity or the pre-Korean price, whichever happened to be the higher.

This was evidenced particularly in the case of food prices. The DUN & BRADSTREET Wholesale Food Price Index, representing the sum total of the price per pound of 31 foods in general use, rose to \$7.31 on February 20, the highest level since July 1948 and 25 per cent above the corresponding 1950 level.

Prior to the wage-price freeze personal incomes had risen to a new all-time high. Total personal income for

Compass Points

| | Year | Oct. | Nov. | Dec. | Year | Jan. |
|---|------|-------|-------|-------|------|-------|
| Employment, Civilian | 1948 | 60.1 | 59.9 | 59.4 | 1949 | 57.4 |
| Million persons | 1949 | 59.0 | 59.5 | 58.6 | 1950 | 56.9 |
| | 1950 | 61.8 | 61.3 | 60.3 | 1951 | 59.1 |
| Unemployment | 1948 | 1.6 | 1.8 | 1.9 | 1949 | 2.7 |
| Million persons | 1949 | 3.6 | 3.4 | 3.5 | 1950 | 4.5 |
| | 1950 | 1.9 | 2.2 | 2.2 | 1951 | 2.5 |
| Farm Income | 1948 | 3.7 | 3.2 | 2.7 | 1949 | 2.4 |
| Billion dollars | 1949 | 3.4 | 2.9 | 2.5 | 1950 | 2.3 |
| | 1950 | 3.6 | 3.3 | 2.6 | 1951 | 2.4 |
| Consumers' Credit Outstanding | 1948 | 13.6 | 13.8 | 14.4 | 1949 | 13.8 |
| Billion dollars | 1949 | 15.3 | 15.9 | 16.8 | 1950 | 16.4 |
| | 1950 | 19.4 | 19.4 | 20.1 | 1951 | ... |
| Gross Hourly Earnings of Industrial Workers | 1948 | 1.39 | 1.40 | 1.40 | 1949 | 1.41 |
| Dollars | 1949 | 1.39 | 1.39 | 1.41 | 1950 | 1.42 |
| | 1950 | 1.50 | 1.51 | 1.54 | 1951 | 1.56 |
| Weekly Earnings of Industrial Workers | 1948 | 55.60 | 55.60 | 56.14 | 1949 | 55.50 |
| Dollars | 1949 | 55.26 | 54.43 | 56.04 | 1950 | 56.29 |
| | 1950 | 61.99 | 62.38 | 64.15 | 1951 | 65.05 |
| Manufacturers' Sales* | 1948 | 17.8 | 18.0 | 17.8 | 1949 | 16.8 |
| Billion dollars | 1949 | 15.8 | 16.2 | 15.8 | 1950 | 16.2 |
| | 1950 | 21.2 | 21.1 | 21.2 | 1951 | ... |
| Manufacturers' Inventories* | 1948 | 31.8 | 32.1 | 32.3 | 1949 | 32.6 |
| Billion dollars | 1949 | 28.9 | 28.7 | 28.9 | 1950 | 29.0 |
| | 1950 | 31.8 | 33.0 | 33.8 | 1951 | ... |
| Wholesalers' Sales* | 1948 | 8.1 | 8.2 | 8.2 | 1949 | 7.7 |
| Billion dollars | 1949 | 7.1 | 7.6 | 7.3 | 1950 | 7.2 |
| | 1950 | 8.8 | 8.8 | 9.3 | 1951 | ... |
| Wholesalers' Inventories* | 1948 | 9.7 | 9.7 | 9.5 | 1949 | 9.5 |
| Billion dollars | 1949 | 9.1 | 9.1 | 9.0 | 1950 | 9.0 |
| | 1950 | 10.2 | 10.5 | 10.8 | 1951 | ... |
| Retailers' Sales* | 1948 | 10.9 | 10.8 | 11.0 | 1949 | 10.6 |
| Billion dollars | 1949 | 10.7 | 10.6 | 10.5 | 1950 | 10.9 |
| | 1950 | 11.8 | 11.4 | 12.2 | 1951 | 13.3 |
| Retailers' Inventories* | 1948 | 14.9 | 15.0 | 15.0 | 1949 | 14.7 |
| Billion dollars | 1949 | 14.5 | 14.3 | 13.7 | 1950 | 14.0 |
| | 1950 | 16.7 | 16.8 | 16.8 | 1951 | ... |
| Physical Production Index* | 1948 | 195 | 195 | 192 | 1949 | 191 |
| 1935-1939=100 | 1949 | 166 | 173 | 179 | 1950 | 183 |
| | 1950 | 217 | 215 | 216 | 1951 | 219 |
| Freight Carloadings | 1948 | 4.6 | 3.3 | 3.0 | 1949 | 2.8 |
| Millions of cars | 1949 | 2.3 | 2.6 | 3.1 | 1950 | 2.4 |
| | 1950 | 3.5 | 3.2 | 3.6 | 1951 | 3.4 |
| Building Permits, 120 Cities | 1948 | 247 | 230 | 228 | 1949 | 188 |
| Million dollars | 1949 | 310 | 245 | 249 | 1950 | 269 |
| | 1950 | 421 | 338 | 342 | 1951 | 366 |
| Commercial and Industrial Failures | 1948 | 459 | 460 | 531 | 1949 | 566 |
| Number | 1949 | 802 | 835 | 770 | 1950 | 864 |
| | 1950 | 707 | 683 | 679 | 1951 | 775 |
| Liabilities of Failures | 1948 | 25.1 | 24.4 | 31.7 | 1949 | 19.2 |
| Million dollars | 1949 | 23.9 | 22.8 | 19.3 | 1950 | 26.4 |
| | 1950 | 16.6 | 18.9 | 21.0 | 1951 | 21.7 |

* Adjusted for seasonal changes.

These figures bring up-to-date some of the series in "The Compass Points of Business" quarterly supplement to the February DUN'S REVIEW. The next supplement will appear in May.

WHOLESALE FOOD PRICE INDEX

The index is the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index.

| Latest Weeks | Year Ago | 1951 |
|-----------------|-----------------|----------------------|
| Feb. 20, \$7.31 | Feb. 21, \$5.83 | High Feb. 20, \$7.31 |
| Feb. 13, 7.25 | Feb. 14, 5.86 | Low Jan. 2, 6.03 |
| Feb. 6, 7.21 | Feb. 7, 5.80 | 1950 |
| Jan. 30, 7.17 | Jan. 31, 5.79 | High Dec. 26, \$6.00 |
| Jan. 23, 7.08 | Jan. 24, 5.78 | Low Jan. 3, 5.73 |

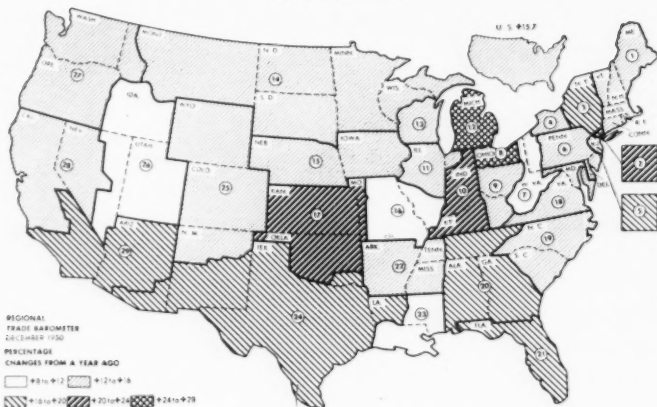
DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 40 basic commodities (1930-1932=100).

| Week Ended | Mon. | Tues. | Wed. | Thur. | Fri. | Sat. |
|-----------------|--------|--------|---------|--------|--------|--------|
| Feb. 24, 129.01 | 127.66 | 127.25 | Holiday | 127.66 | 127.15 | |
| Feb. 17, 126.61 | 126.37 | 126.49 | 127.84 | 128.74 | 129.50 | 129.66 |
| Feb. 10, 126.61 | 126.37 | 126.49 | 127.84 | 127.88 | 127.82 | |
| Feb. 3, 125.79 | 126.61 | 126.62 | 126.72 | 126.73 | 126.80 | |
| Jan. 27, 123.25 | 123.66 | 123.61 | 122.60 | 122.66 | 123.18 | |

Regional Trade Activity

(1935-1939=100)



REGIONAL
TRADE BAROMETER
PERCENTAGE
CHANGES FROM A YEAR AGO
+20 to +25 +15 to +20 +10 to +15 +5 to +10 -5 to -10

| REGION: | Dec. 1950 | % Change from Dec. 1949 | Nov. 1950 |
|-----------------------------------|--------------|----------------------------|--------------|
| United States..... | 415.1 | +15.7 | + 8.1 |
| 1. New England..... | 249.5 | +42.4 | + 5.6 |
| 2. New York City..... | 257.4 | +31.7 | + 5.1 |
| 3. Albany, Utica, and Syracuse | 324.1 | +17.2 | + 6.5 |
| 4. Buffalo and Rochester..... | 400.1 | +42.4 | + 1.2 |
| 5. Northern New Jersey..... | 254.7 | +10.6 | + 7.9 |
| 6. Philadelphia..... | 285.9 | +12.7 | + 0.9 |
| 7. Pittsburgh..... | 268.8 | +11.9 | + 3.2 |
| 8. Cleveland..... | 341.3 | +27.6 | +17.0 |
| 9. Cincinnati and Columbus..... | 310.6 | +18.0 | +13.7 |
| 10. Indianapolis and Louisville | 466.8 | +32.1 | + 5.1 |
| 11. Chicago..... | 254.1 | +14.7 | + 1.8 |
| 12. Detroit..... | 341.3 | +24.8 | + 0.8 |
| 13. Milwaukee..... | 311.4 | +12.8 | + 6.1 |
| 14. Minneapolis and St. Paul..... | 426.5 | +13.4 | + 2.9 |

| REGION: | Dec. 1950 | % Change from Dec. 1949 | Nov. 1950 |
|---------------------------------|--------------|----------------------------|--------------|
| 15. Iowa and Nebraska..... | 334.4 | +14.3 | + 5.5 |
| 16. St. Louis..... | 297.3 | + 9.5 | + 2.6 |
| 17. Kansas City..... | 345.7 | +30.4 | + 0.8 |
| 18. Maryland and Virginia..... | 410.4 | +13.0 | + 0.8 |
| 19. North and South Carolina | 444.7 | +15.1 | + 0.2 |
| 20. Atlanta and Birmingham..... | 401.4 | +10.8 | + 8.4 |
| 21. Florida..... | 421.0 | +10.7 | +10.2 |
| 22. Memphis..... | 191.4 | +13.9 | + 4.3 |
| 23. New Orleans..... | 480.9 | + 8.9 | + 0.1 |
| 24. Texas..... | 455.7 | +18.7 | +12.1 |
| 25. Denver..... | 555.4 | +12.0 | +12.6 |
| 26. Salt Lake City..... | 552.9 | +10.0 | + 7.3 |
| 27. Portland and Seattle..... | 474.7 | +14.8 | + 5.4 |
| 28. San Francisco..... | 555.7 | +14.9 | + 6.9 |
| 29. Los Angeles..... | 541.4 | +10.8 | + 0.4 |

December, including wage and salary receipts, net incomes of proprietors, dividends, rents, and interest, was estimated at an annual rate of \$240.7 billion, 15 per cent above the estimated rate of a year earlier.

The wages of production workers, averaging \$1.54 an hour, were 9 per cent above the previous year's level and 6 per cent above the pre-Korean level. The fact that wage earners were putting in nearly two more hours of work a week in the nation's production lines than a year ago brought their weekly average earnings to a new all-time high of \$64.15, or 14 per cent above the previous December level and 9 per cent above last June.

Trade Steady increases in defense ordering continued to push total wholesale order volume to the

highest levels since World War II. The dollar volume of wholesale sales had risen to an estimated 25 per cent above last year's level by the middle of February, despite prevailing uncertainties regarding price regulations.

The annual outburst of Spring apparel buying for the pre-Easter season approached its apex with much emphasis being placed on topcoats, and such gift items as nylon hosiery, lingerie, and handbags. Retailers ordered heavily Spring and Summer suits and dresses while some advanced orders for Fall began to make their appearance. The recent showings of Summer fashions in New York City elicited a hearty response from buyers gathered from many parts of the nation.

Despite the closing down of the various cotton exchanges and the Boston Wool Market following the imposition

of Government price regulations, some scattered trading in textiles was evidenced by third quarter transactions in print cloths, sheetings, drills, and twills. Much of the print cloth ordering comprised small lots of second-hand and runover grades.

Largely in reflection of an augmented consumer demand, household furnishings and appliances were ordered in substantial volume with buyer interest largely centered on radios, television receivers, and refrigerators. Industrial orders of machine tools reached the highest point since early in World War II, indicating the intensiveness of retooling for the defense effort.

At the retail level, consumer buying was sparked to new February peaks by extensive promotions. Department store sales averaged 16 per cent above a year ago, although a cold snap over most of the nation early in the month initially dampened shopper enthusiasm. Anticipation of Federal excise taxes also prompted increased buying of items which might be affected.

As the Easter season neared, women shoppers sought to refurbish last year's wardrobes with new Spring fashions. Millinery, footwear, and gloves, as well as Spring suits and dresses were purchased in larger volume than in the corresponding period of last year. This was partly attributable to the fact that Easter occurs two weeks earlier this year than last and to an apprehension of further possible price rises.

Home furnishings and large appli-

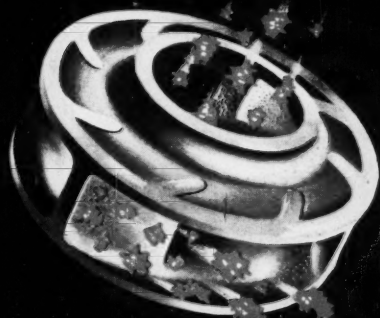
BUILDING PERMIT VALUES—215 CITIES

| Geographical Divisions | 1951 | 1950 | % Change |
|---------------------------|---------------|---------------|-------------|
| New England..... | \$31,658,494 | \$44,470,644 | + 39.6 |
| Middle Atlantic..... | 91,078,455 | 80,823,437 | + 12.7 |
| South Atlantic..... | 50,097,866 | 49,236,405 | + 24.3 |
| East Central..... | 84,502,453 | 64,612,554 | + 30.8 |
| South Central..... | 91,441,577 | 60,940,058 | + 50.1 |
| West Central..... | 22,998,102 | 11,762,911 | + 95.2 |
| Mountain..... | 12,216,683 | 6,784,809 | + 80.1 |
| Pacific..... | 72,008,041 | 55,599,295 | + 29.0 |
| Total U. S..... | \$246,881,191 | \$332,099,161 | + 33.2 |
| New York City..... | \$51,032,585 | \$41,874,254 | + 21.9 |
| Outside N. Y. City..... | \$395,848,515 | \$290,225,027 | + 35.0 |

BANK CLEARINGS (Thousands of dollars)

| | 1951 | 1950 | % Change |
|----------------------|-------------|-------------|-------------|
| Total 24 Cities..... | \$7,246,826 | \$7,043,064 | + 28.5 |
| New York..... | \$9,022,401 | \$7,041,829 | + 28.0 |
| Total 25 Cities..... | \$7,249,727 | \$9,061,503 | + 28.8 |
| Average Daily..... | 2,600,000 | 2,508,548 | + 35.8 |

ABK metal muzzles the bite of abrasion



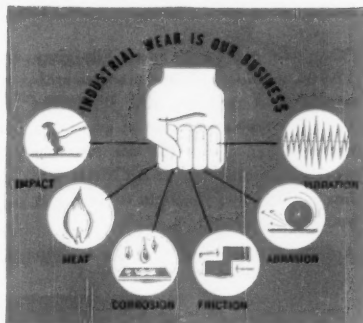
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ances were bought in a dollar volume well above that of a year ago. Video sets, electric ranges, and refrigerators comprised much of the total volume of consumer durables bought. Cut-backs in the production of some non-essential civilian goods had yet to make a serious impact on over-all consumer spending.

There was a moderate rise in consumer spending in January, according to the seasonally adjusted Dux's REVIEW Regional Trade Barometer. January's preliminary barometer, at 353.8 (1935-1939=100) was 12.3 per cent above December and 27.8 per cent higher than a year earlier. It was 3.8 per cent below the all-time peak reached in July 1950, the month of large-scale scare buying. Adjustment is made in the barometer for the number of business days occurring in each month.

Foreign Trade Increased receipts of copper and tin with which to bolster the nation's defense resources were chiefly instrumental in boosting United States imports in the final month of last year by \$10 million to \$862 million. Increased shipments of vehicles, production machinery, raw cotton, and wheat brought about an export rise of \$85 million to \$1,063 million. This was the highest monthly total since June 1949.

These figures indicated that total exports for 1950 were \$10,275 million, 15 per cent below the previous year's level, while 1950 imports were up 33 per cent to \$9,840 million. Although in 1949 exports exceeded imports by 82 per cent, last year the trade gap was closed to the extent that exports were 4 per cent in excess of imports.

Finance February stock prices averaged well above levels attained in January, although the volume of shares in transaction diminished somewhat. The Dow-Jones aver-

NEW BUSINESS INCORPORATIONS

| Geographical Regions | Dec. 1949 | Dec. 1949 | Year 1949 | Year 1949 |
|-------------------------|-----------|-----------|-----------|-----------|
| New England..... | 669 | 755 | 6,179 | 6,859 |
| Middle Atlantic..... | 2,220 | 2,594 | 22,515 | 20,117 |
| East North Central..... | 1,101 | 1,353 | 15,127 | 14,443 |
| West North Central..... | 351 | 453 | 4,674 | 4,606 |
| South Atlantic..... | 993 | 1,123 | 12,818 | 11,998 |
| East South Central..... | 184 | 221 | 2,872 | 2,764 |
| West South Central..... | 48 | 208 | 6,105 | 5,405 |
| Mountain..... | 317 | 281 | 3,591 | 3,694 |
| Pacific..... | 618 | 687 | 9,955 | 8,143 |
| Total U. S..... | 6,780 | 7,857 | 94,925 | 85,411 |



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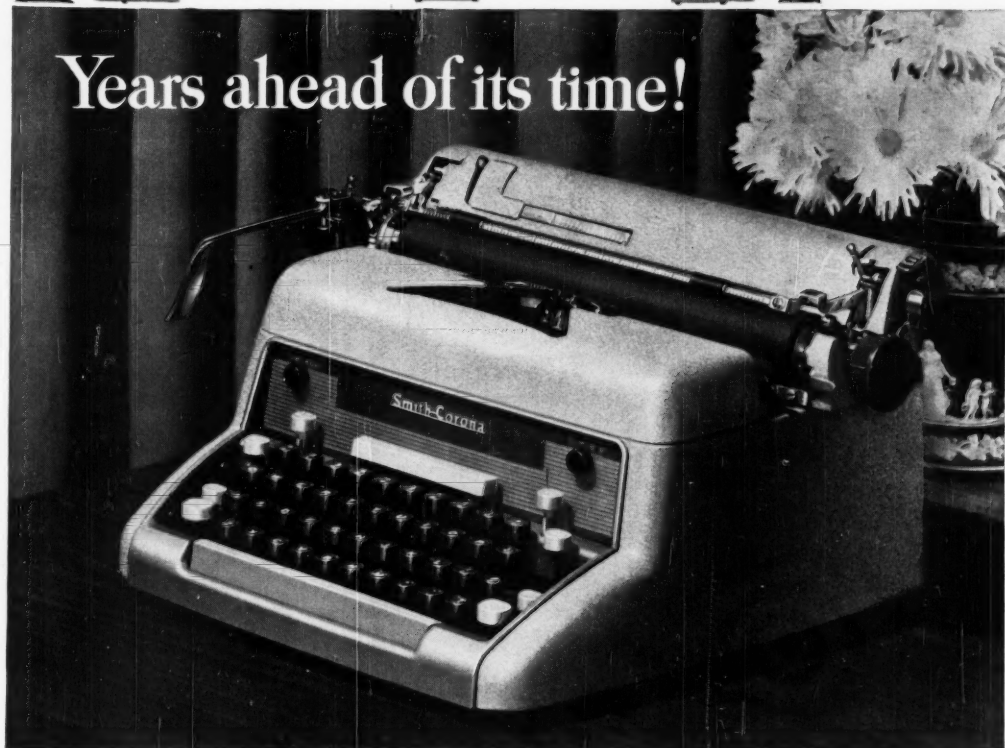


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age of 30 industrial stocks surged to new 20-year highs, but was substantially below the all-time high of 381.17 reached in September 1929. The January average, at 244.45 was 22 per cent above the level of a year ago.

Trading volume on the New York Stock Exchange during January aggregated 70 million shares compared with 60 million in the final month of last year and with 43 million a year ago.

The Federal Reserve Board's upward revision of margin requirements to 75 per cent from 50 per cent at mid-month, however, was reflected in an appreciable drop in share volume during the latter half of the month.

Failures After a two-month decline, business failures increased 14 per cent in January to 775, but were 10 per cent below the 864 casualties recorded a year ago. One-half as many businesses failed in January as in the corresponding month of pre-war 1939.

DUN'S FAILURE INDEX, which extends the monthly failure rate to an annual basis and adjusts for seasonal fluctuation, dipped slightly to 31.5 casualties per 10,000 listed enterprises. This rate was somewhat below the 36 of a year ago, but exceeded any other January rate since 1942.

January liabilities rose 3 per cent above the December level to \$21,685,000. Casualties in most liability classifications increased during the month, the single decline occurring in the \$25,000 to \$100,000 group.

There was a general drop from last year's level in failures in the various liability categories; the single exception was a 6 per cent rise among fail-

THE FAILURE RECORD

| | Jan. 1951 | Dec. 1950 | Jan., P. C. 1951 Over '50 |
|----------------------------|--------------|--------------|------------------------------|
| DUN'S FAILURE INDEX* | | | |
| Unadjusted | 34.0 | 30.4 | 11.5 — 12 |
| Adjusted, seasonally | 31.5 | 33.5 | 13.0 — 14 |
| NUMBER OF FAILURES..... | 775 | 676 | 14.4 — 10 |
| NUMBER BY SIZE OF DEBT | | | |
| Under \$5,000..... | 290 | 447 | 80 + 6 |
| \$5,000-\$25,000 | 404 | 555 | 24.9 — 10 |
| \$25,000-\$100,000 | 143 | 147 | 104 — 26 |
| \$100,000 and over..... | 38 | 31 | 41 — 7 |
| NUMBER BY INDUSTRY GROUPS | | | |
| Manufacturing | 152 | 148 | 325 — 41 |
| Wholesale Trade..... | 73 | 77 | 410 — 84 |
| Retail Trade..... | 410 | 340 | 403 + 2 |
| Construction..... | 97 | 62 | 75 + 44 |
| Commercial Service..... | 68 | 67 | 61 + 3 |

(Liabilities in thousands)

| | | | |
|--------------|----------|----------|--------------|
| CURRENT..... | \$21,685 | \$21,024 | \$9,610 — 15 |
| TOTAL..... | 21,012 | 21,044 | 30,935 — 17 |

* Apparent annual failures per 10,000 listed enterprises, formerly called DUN'S INSOLVENCY INDEX.

+ Per cent change of January 1951 from January 1950.

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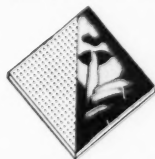
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ures with liabilities of less than \$5,000.

The largest number of liquidating enterprises commenced operations in 1949. Approximately one-half of the January dissolutions occurred among businesses which started at various times during the past three years and about three-fourths were organized within the past five years.

Retailing and construction failures made up all of the month's increase. Retail casualties were the largest in the last eight months, with the rise prevailing in all trade lines except automotive, which declined, and drug lines, which remained unchanged. Insolvencies among manufacturers and wholesalers dropped 41 per cent and 34 per cent respectively from last year's levels, the sharpest declines in both groups being those in food and machinery lines.

New England, the West South Central, and the Pacific regions sustained fewer business liquidations in January than in the previous month, while all other regions reported increases. Compared with a year ago, slight increases occurred in the Middle Atlantic, West North Central, East South Central, and Mountain regions.

Failures in the 25 largest cities rose 23 per cent in the month, compared with an 8 per cent rise for the rest of the nation. Most of the rise occurred in Chicago and New York.

FAILURES BY DIVISIONS OF INDUSTRY

| | (Current liabilities in thousands of dollars) | Number— Jan. 1951 Jan. 1950 | Liabilities— Jan. 1951 Jan. 1950 |
|-----------------------------|---|-----------------------------------|--|
| MINING, MANUFACTURING | 132 | 225 | 5,175 10,018 |
| Mining—Coal, Oil, Misc. | 1 | 5 | 40 8,499 |
| Food and Kindred Products | 42 | 31 | 574 510 |
| Textile Products, Apparel | 47 | 46 | 1,818 1,266 |
| Lumber, Lumber Products | 22 | 37 | 879 6,591 |
| Paper, Printing, Publishing | 6 | 40 | 111 333 |
| Chemicals, Allied Products | 4 | 5 | 89 2,547 |
| Leather, Leather Products | 8 | 13 | 91 617 |
| Stone, Clay, Glass Products | 2 | 3 | 17 38 |
| Iron, Steel, and Products | 4 | 7 | 98 236 |
| Machinery | 10 | 31 | 816 1,111 |
| Transportation Equipment | 4 | 4 | 11 86 |
| Miscellaneous | 20 | 32 | 512 907 |
| WHOLESALE TRADE | 73 | 110 | 2,255 4,410 |
| Food and Farm Products | 48 | 35 | 534 2,447 |
| Apparel | 1 | 7 | 66 316 |
| Dry Goods | 1 | 2 | 23 40 |
| Lumber, Bldg. Mats, Hdw. | 8 | 12 | 390 490 |
| Chemicals and Drugs | 4 | 2 | 146 61 |
| Motor Vehicles, Equipment | 3 | 6 | 28 161 |
| Miscellaneous | 87 | 46 | 1,071 815 |
| RETAIL TRADE | 410 | 403 | 10,376 7,337 |
| Food and Liquor | 91 | 78 | 1,700 814 |
| General Merchandise | 19 | 25 | 418 210 |
| Apparel and Accessories | 68 | 80 | 1,111 1,152 |
| Furniture, Furnishings | 44 | 40 | 6,054 1,297 |
| Lumber, Bldg. Mats, Hdw. | 19 | 19 | 174 255 |
| Automotive Group | 28 | 33 | 537 611 |
| Eating, Drinking Places | 75 | 81 | 1,150 1,767 |
| Drug Stores | 9 | 14 | 108 175 |
| Miscellaneous | 30 | 33 | 637 637 |
| CONSTRUCTION | 97 | 65 | 2,111 1,581 |
| COMMERCIAL SERVICE | 64 | 61 | 1,482 1,829 |

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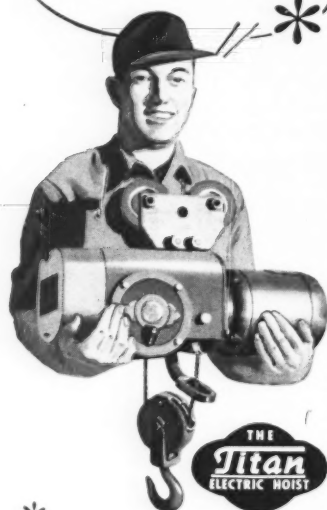
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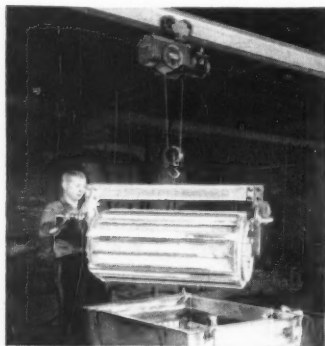
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The Business Bookshelf

WATER, LAND, AND PEOPLE, by Bernard Frank and Anthony Nethroy. Alfred A. Knopf, 342 pages, \$4.

DUST bowls in the Southwest, floods along the Mississippi, water famines threatening the coastal cities of the East—are these isolated phenomena, or are they symptoms of a general malaise pervading the land-water balance of the entire nation? Shocking proof of the latter view is provided by a book as timely as it is momentous. From its documented pages leaps an indictment of ignorance, negligence, and greed which must finally rest on all of us; and only through unified action can we hope to rectify a condition causing the annual loss of billions of dollars and untold human suffering. The authors, experienced conservationists, urge a remedial program of national watershed control that merits the attention of every responsible citizen.

POLICY FOR THE WEST, by Barbara Ward. W. W. Norton, 317 pages, \$3.75.

Barbara Ward's succinct phrases are as a beacon illuminating the murky

confusion of to-day's struggle between East and West. Step by step she recounts the events leading up to the ominous impasse, and analyzes not only Western actions, but even possible motives for Soviet behavior. This sort of treatment does much to dispel the fatalistic fright with which we tend to face the future and which prevents us, in Miss Ward's view, from rationally adapting ourselves for survival.

And what is the basis of this necessary adaptation? In brief, the former assistant editor of the famed London *Economist* argues that the building of armed strength, while important, is not enough; the essential thing is to recapture the spirit of social progress from its prostitutes, the Soviet propagandists, and restore it to its original place in the Western heritage—not through words alone, but through deeds as well.

STORES AND UNIONS, by George G. Kirsten. Fairchild, 246 pages, \$7.

While union activity has generally become mature and stable in many of the crafts and heavy industries, the organizing of the nation's clerks and

CURRENT READING

BOOK

INDIVIDUAL INITIATIVE IN BUSINESS, ed. George Howard Allen. Harvard University Press, 255 pages, \$3.50.

HOW TO USE MARKET RESEARCH FOR PROFIT, by Willard M. Fox. Prentice-Hall, 362 pages, \$5.

ECONOMICS OF AMERICAN INDUSTRY, by E. B. Alderfer and H. E. Michl. McGraw-Hill, 716 pages, \$5.50.

EFFECTIVE RETAIL ADVERTISING, by Irving Settel. Fairchild, 216 pages, \$4.75.

PRACTICAL BANK CREDIT, by Roy A. Foulke and Herbert V. Prochnow. Prentice-Hall, 743 pages, \$10.

ECONOMIC FLUCTUATIONS IN THE UNITED STATES, 1921-1941, by Lawrence R. Klein. John Wiley, 174 pages, \$2.

STURGIS STANDARD CODE OF PARLIAMENTARY PROCEDURE, by Alice F. Sturgis. McGraw-Hill, 268 pages, \$2.50.

SUMMARY

A symposium of soul-searching by leaders in industry, commerce, government, and education that comes up with age-old solutions to such growing personnel problems as apathy and skepticism.

Exciting new perspectives on increasing sales and cutting costs, based upon the intelligent use of scientific investigation. The author is Director of Market Research at Remington Rand.

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The second edition of an old stand-by, revised to allow for the increasing importance of federal deficit spending; as in the first edition, theory is soft-pedaled.

A theoretical treatise in statistical economics recommended only for the stout-hearted, this latest Cowles Commission monograph points the way to improved forecasting techniques.

For perhaps the first time, here is a manual thoroughly covering every aspect of procedure for assemblies, conventions, and meetings in general. Written in consultation with an advisory committee and blending law with practice.

white-collar workers continues to display the turbulence of youth. George G. Kirstein, former Executive Secretary of the War Labor Board, here presents a chronicle of this turbulence in respect to retail stores; of interest to retail executives and others will be the author's assessment of the impact of unionism upon the future course of retail personnel policy.

Stores and Unions has the rare distinction of standing squarely and impartially in the center of a still-hot issue; its factual, unemotional reporting should prove a boon to serious students of American trade unions. Excellent photographs include scenes of the historic Woolworth and Montgomery Ward strikes.

THE DOLLAR SHORTAGE, by Charles P. Kindleberger. The Technology Press of MIT and John Wiley & Sons, 276 pages, \$4.

This is basic reading for anyone wishing to decipher the intricacies of the post-war period in international trade. The subject matter is pragmatic and topical, since it reflects the actual experience of the author, an economist recently with the OSS and the Department of State. It is topical despite the current virtual disappearance of the dollar "gap"; this is because the book is primarily concerned with long-range tendencies, and Dr. Kindleberger contends that dollar shortages are natural to our foreign trade and will keep reappearing in the future.

Besides a lucid explanation of just what causes the dollar shortage—or "disequilibrium of balance payments"—the book contains cogent analyses of American imports and exports, the tariff, the effect of depressions on foreign trade, and the question of Point Four.

THE ART OF GETTING ALONG, by Willard A. Peterson. Harmony Press, 143 pages, \$3.

"Bill" Peterson is the unofficial dean of industrial editors. The stamp of his unique talent has appeared in various sales magazines and house-organs for more than twenty years; many of his contributions—poems, editorials, inspirational pieces—have gained national recognition. This collection of his best writings is a worthy addition to any business library.



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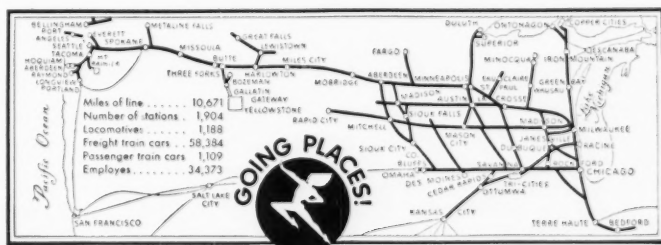
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Only STEEL can do so many jobs



HIGHEST TV ANTENNA. 1250 feet above the sidewalks of New York, a new 222-foot television tower was recently constructed atop the 102-story Empire State Building. For this highest structural steel ever erected by man, all steel parts had to be specially designed so they could be taken up *through* the building—and carried by hand the last few stories. The tough steel, the precise fabrication of it, and the nerveless men who erected it, were all supplied by United States Steel.



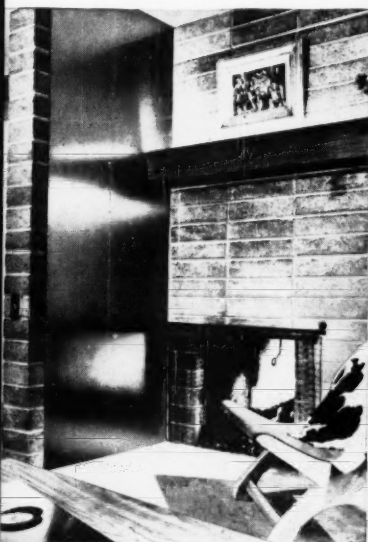
RUNWAYS HAVE IT ROUGH. The touch of a modern airliner on an airport runway is measured in many tons. But when the runway is made of concrete reinforced with steel, these tons of impact are spread over a broad area, and runways last longer. U.S. Steel supplies both the cement (Universal Atlas Cement) and the steel reinforcement (U.S.S. American Welded Wire Fabric).

TANK BUSTER. Mobilizing her strength for the defense of freedom shows how true it is that America has a backbone of steel. Huge quantities of steel must go into the building of weapons like this "tank buster." But because U.S. Steel is large, has constantly increased its steel-making capacity, it can supply steel for the needs of mobilization, as well as for essential every day uses.



AMERICAN BRIDGE COMPANY • AMERICAN STEEL & WIRE COMPANY and CYCLONE FENCE DIVISION • COLUMBIA STEEL COMPANY • CONSOLIDATED WESTER
TENNESSEE COAL, IRON & RAILROAD COMPANY • UNION SUPPLY COMPANY • UNITED STATES STEEL COMPANY • UNITED STATES STEEL EXPORT COMPANY

so well...



REFLECTING SURFACE. You never can tell these days where you'll run into Stainless Steel. In the ultramodern Wm. Alexander house in Encino, California, it's used as a reflecting surface beside the fireplace . . . and as a handsome inset in the coffee table top. Mobilization will call for lots of Stainless Steel. And United States Steel will contribute plenty of U.S.S. Stainless to help build America's security.

FACTS YOU SHOULD KNOW ABOUT STEEL

In the past 50 years, the population of America has doubled. But the American steel industry has increased its production **sevenfold**.



TIGHT AS A DRUM and made to take a beating. For in these strong, tough, leak-proof steel drums, made by U.S. Steel, everything from soft drink syrup to aviation gasoline is safely shipped and stored . . . all over the world. Only steel can do so many jobs so well.

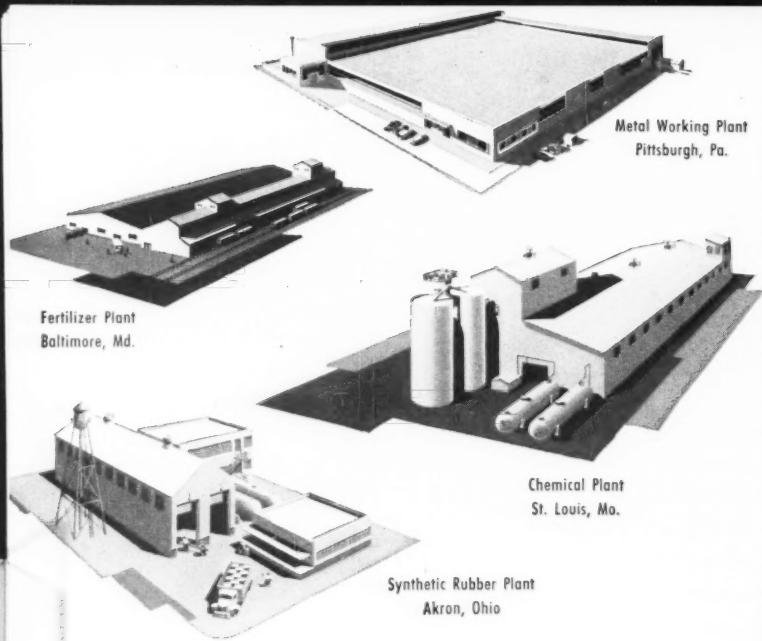
Listen to . . . *The Theatre Guild on the Air*, presented every Sunday evening by United States Steel, National Broadcasting Company, coast-to-coast network. Consult your newspaper for time and station.

... and this label is your guide to quality steel

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McCloskey Designs and Builds

Complete Plants With Economy

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McCloskey projects now under way range from foundries to textile mills—fertilizer plants to synthetic rubber installations—coal distillation plants to food freezing plants—warehouses to aircraft plants—even churches, schools,

gymnasias and apartments.

Each project is designed for economy of construction and future maintenance by McCloskey engineers. All materials are furnished and construction undertaken by us with a minimum of attention to details on your part. Even when your expansion program is still in the thinking stage McCloskey will be glad to give you the benefit of its experience in designing and building successfully for others. Write today for further information to McCloskey Company of Pittsburgh, 3402 Liberty Ave., Pittsburgh 1, Pa.

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HERE and THERE

Identification—As many as four pictures of the same person can be made in 40 seconds through a new camera jointly developed by the Fairchild Camera and Instrument Corporation and the Polaroid Corporation. This expedites identification for personnel of and visitors to military installations, and plants and offices with security requirements.

Faster Reading—Business men may considerably accelerate their reading speed through a 30-hour training course conducted at The Reading Laboratory, New York City.

Numerous persons have become accustomed to reading slowly as a result of occupational demands and have permitted this to set the pace for all of their reading. Lawyers, for example, as a result of poring over legal material, may become accustomed to reading everything in the same way.

Slow readers, by seeing the individual words, may lose the basic ideas behind them. At The Reading Laboratory persons are trained to grasp the unit of thought.

The fatigue which ordinarily accompanies a prolonged period of reading is found to be measurably lessened with the trained reader. Reading likewise becomes more pleasurable.



Mechanical means are used to accelerate reading speed. One is the optical instrument, seen above, which projects slide images on a screen with varying speeds. This is used to speed up the eye movements and to widen the visual span.

Quiz

- 1 Do you know how many separate writings you require to get your orders shipped and billed?..... Yes ☐ No ☐
- 2 Have you investigated recently to see if writings are being made which can be eliminated? Yes ☐ No ☐
- 3 Are orders sent in by your branch offices or salesmen rewritten in your office?..... Yes ☐ No ☐
- 4 Are shipping addresses retyped on your bills of lading?..... Yes ☐ No ☐
- 5 Are these same addresses again rewritten on your tags and labels?..... Yes ☐ No ☐
- 6 Are your invoices written separately from your shipping orders?..... Yes ☐ No ☐
- 7 When a partial shipment is made do you write a new shipping order to cover items back-ordered?..... Yes ☐ No ☐
- 8 Do you write a new set of billing copies covering each back order shipment?..... Yes ☐ No ☐
- 9 Do you post each individual invoice to your accounts receivable ledger?..... Yes ☐ No ☐

Try this quiz. Learn how your
Order-Billing System
Rates

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- 10** Would you like us to send you folders which illustrate how you can eliminate all retyping, on original and back orders, eliminate posting to accounts receivable?.....

If answer is "Yes", fill in and mail to: Yes ☐ No ☐

Ditto, Inc., 619 S. Oakley Blvd., Chicago 12, Ill.

Name

Firm Title

Address

City Zone State

HIGHLIGHTS OF THE 39TH ANNUAL REPORT OF THE

Commercial Credit Company

The activities of Commercial Credit Company are carried on in three main divisions, consisting of Finance Companies, Insurance Companies and Manufacturing Companies.



Consolidated operations and net income from current operations for 1950 were larger than for any previous year in the history of the Company.

Consolidated Balance Sheet as of December 31, 1950

| ASSETS | | LIABILITIES, CAPITAL AND SURPLUS | |
|---|------------------|---|------------------|
| CURRENT ASSETS: | | CURRENT LIABILITIES: | |
| Cash in banks and on hand | \$ 74,873,853.85 | Notes Payable—Unsecured Short Term | \$432,848,500.00 |
| Marketable Securities | | Accounts Payable: | |
| U. S. Government Obligations | \$ 55,132,236.69 | Credit Balances of Manufacturing and Selling Agents | \$ 13,611,102.02 |
| Other Marketable Securities | 8,656,255.53 | Sundry | 8,787,364.71 |
| | \$ 63,788,532.22 | Due Customers only when Receivables are collected | 7,543,138.34 |
| Less Reserves | 145,697.29 | Accrued Income and Excess Profits Taxes | 39,941,695.07 |
| Accounts and Notes Receivable: | | Accrued Other Taxes | 23,057,185.81 |
| Motor and Other Retail and "F.H.A." | \$408,570,311.00 | Customers' Loan Reserves | 2,602,180.84 |
| Motor and Other Wholesale | 127,042,417.81 | | 16,928,122.16 |
| Open Accounts, Notes, Mortgages and Factoring Receivables | 78,446,399.59 | Total Current Liabilities | \$505,377,593.88 |
| Direct or "Personal Loan" Receivables | 22,579,165.20 | | |
| Sundry Accounts and Notes Receivable | 3,076,686.63 | | |
| Total | \$609,714,980.23 | | |
| Less Reserves for: | | UNEARNED PREMIUMS— | |
| Unearned Income | \$ 26,084,163.10 | "INSURANCE COMPANIES" | 30,117,051.83 |
| Losses on Accounts and Notes | 10,783,236.59 | | |
| Total Reserves | \$ 36,867,399.69 | RESERVES FOR: | |
| Other Current Assets: | | Losses and Loss Expense— | |
| Trade Accounts and Notes Receivable "Manufacturing Companies" | \$ 7,206,515.37 | "Insurance Companies" | \$ 4,069,468.73 |
| Premiums Receivable—"Insurance Companies" | 309,585.53 | Fluctuations in Security Values | 886,442.54 |
| Claims against U.S. and Canadian Governments—Taxes, etc. | 222,119.19 | Canadian Exchange Fluctuations | 587,127.01 |
| Inventories—"Manufacturing Companies" | 8,764,064.72 | | 5,543,038.28 |
| Total Current Assets | \$787,866,624.22 | | |
| | | UNSECURED NOTES: | |
| FIXED AND OTHER ASSETS: | | Notes, 2 1/4% due serially—1953-1957 | \$ 41,500,000.00 |
| Land, Buildings, and Equipment "Manufacturing Companies" | \$ 6,632,444.20 | Notes, 3% due 1963 | 50,000,000.00 |
| Company Cars—used by Representatives | 1,278,648.14 | | 91,500,000.00 |
| Cash Surrender Value Life Insurance | 109,759.67 | SUBORDINATED UNSECURED NOTES: | |
| Repossessions—at depreciated values | 261,993.50 | Notes, 3% due 1957 | \$ 25,000,000.00 |
| | 8,282,845.51 | Notes, 3.95% due 1964 | 25,000,000.00 |
| | | | 50,000,000.00 |
| DEFERRED CHARGES: | | MINORITY INTEREST IN SUBSIDIARIES | 35,898.95 |
| Prepaid Interest and Discount | \$ 1,868,390.29 | | |
| Prepaid Insurance and Expenses | 843,762.56 | CAPITAL STOCK AND SURPLUS: | |
| | 2,712,152.85 | Common Stock—\$10 par value: | |
| | \$798,861,622.58 | Authorized—3,000,000 shares | |
| | | Issued and Outstanding—2,278,812 full shares and 161 shares of fractional stock | \$ 22,789,730.00 |
| | | Capital Surplus | 38,042,919.93 |
| | | Earned Surplus | 55,435,349.71 |
| | | | 116,288,039.64 |
| | | | \$798,861,622.58 |

A Few Facts, as of December 31, 1950 and 1949

| CONSOLIDATED OPERATIONS | 1950 | 1949 |
|--|-----------------|-----------------|
| Gross Finance Receivables Acquired | \$2,346,583,865 | \$1,971,773,386 |
| Gross Insurance Premiums, Prior to Reinsurance | 42,739,802 | 50,725,907 |
| Net Sales of Manufacturing Companies | 84,392,183 | 76,106,064 |
| Gross Income | 106,138,880 | 93,303,381 |
| Net Income from Current Operations, before Taxes on Income | 41,022,804 | 30,805,719 |
| United States and Canadian Income Taxes | 19,809,293 | 13,035,003 |
| United States Federal Excess Profits Tax | 1,300,000 | — |
| Federal Taxes on Income—per share* | 9.28 | 7.07 |
| Salaries, Wages, Commissions | 43,059,111 | 39,884,856 |

| NET INCOME | 1950 | 1949 |
|--|--------------|--------------|
| Finance Companies | \$10,925,044 | \$9,157,253 |
| Insurance Companies | 5,397,361 | 5,486,049 |
| Manufacturing Companies | 3,531,106 | 3,127,415 |
| Net Income from Current Operations | \$19,853,511 | \$17,770,717 |
| Net Income per share on Common Stock* | \$8.64 | \$9.16 |
| Net Income per share on present capitalization of 2,278,973 shares of Common Stock outstanding—no allowance for dividends on Preferred Stock | 8.71 | 7.79 |
| Book Value per share—Common Stock* | \$1.02 | 45.00 |
| *On shares outstanding at end of each year | | |

COMMERCIAL CREDIT COMPANY AND SUBSIDIARIES—BALTIMORE 2, MARYLAND

More than 300 Offices in Principal Cities of the United States and Canada

The average reading speed of a literate adult has been found to be between 200 and 300 words per minute for general material and 200 words for a mixture of facts and figures. After training, the average person has more than doubled their speed of reading. Some have made gains of only 50 per cent, while others have made 500 per cent gains. In the case of every student there has been a measurable increase in comprehension.

Reading habits have been studied for many years, but until recently efforts were confined to remedial work. This was concerned principally with children and with students' activities. Now, good reading techniques are being applied to normal adult readers such as business men.

The Reading Laboratory is prepared to conduct group programs for companies upon their premises as well as to teach individuals.

Cutting Oil Preservative—Rancidity and corrosiveness in soluble-type cutting oils and coolants are substantially reduced through the use of a new preservative marketed by the West Disinfecting Company, Long Island City, N. Y.

Made of synthetics, the "West Cutting Oil Additive" inhibits the growth of bacteria, eliminating foul odors and permitting the oil to be used until it is "worn out." The product is odorless and a non-irritant.

The larger part of cutting oils and coolants are of the soluble type. Containing a high percentage of water, such oils are subject to bacterial concentration. Multiplication of bacteria affects the sulphur compounds employed, resulting in an undesirable odor. It likewise brings an increase in acidity, with the oil becoming more corrosive and thus inclined to rust equipment.

Use of the preservative solves the problem which may otherwise arise where municipal sanitary codes regulate the disposal of spent cutting oils in public sewers or streams.

Records may be protected against possible bombing attack by being deposited at less susceptible inland points under a new "live" storage plan.

Commercial Archives, Inc., New

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Do this—and observe the sparkling results . . . photocopies that are crisper, cleaner, easier to read. Really something to see!

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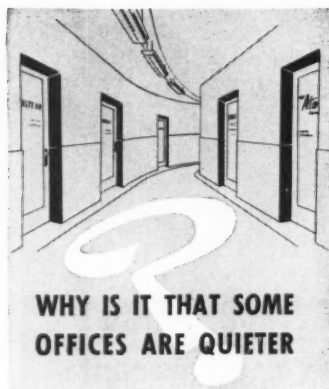
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York City, will find out where clients want their records stored. It then will arrange suitable accommodations in transfer files in buildings which have the lowest possible fire insurance rates.

Valuable documents may be placed in such storage, to be called on by management whenever necessary. Personnel will be provided to give quick, full-time service.

To insure against inability to collect accounts or prove tax liability after a disaster, Commercial Archives will keep a chronological file based on receipt of such items as accounts receivable.

Microfilm will be accepted for deposit and enlargements from the films will be sent if inspection is required. Likewise a photo duplicate will be made of any record required for inspection unless the original is requested. In such case the duplicate will be inserted into the file until the original is returned. Confidential records may be shipped in locked containers.

Clients will be assisted in the important feature of selecting those records which should be stored.

Insulation—A plastic insulating material with good electrical properties which will not support combustion and will not drip when molten, is offered to the wire and cable and electrical industries by the DuPont Company. This is known as "Rulan."

Dry Chemical Fire Engine—For fighting inflammable liquid and electrical type industrial fires, American-La France-Foamite Corporation, Elmira, N. Y., has produced the "Alfo 350 Dry Chemical Wheeled Portable Engine." The largest unit of its kind available, this can be easily handled by two men. The engine's tank holds 350 pounds of dry chemical.

Blistering hot fires of considerable proportions, which at first appear too large to be controlled, are reported to be quickly extinguished by the cloud of dry chemical. Added to the force of the discharge is the normal gravity pull of the dry chemical which is heavier than air. This resists the up-draft of the air currents created by the flames. Thus there is a concentration of the spray at the seat of the fire.

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Safety and Service Award Emblems help build better employee relations needed in the current competitive era.

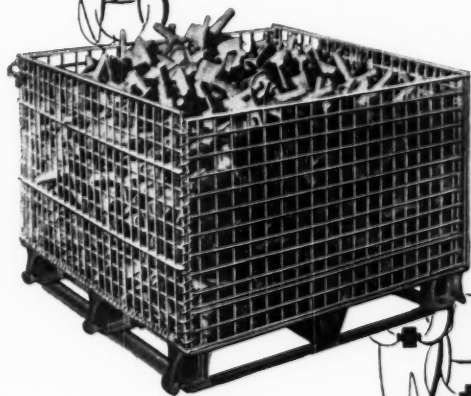
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3500 pound unit loads of forgings are handled quickly, economically in USP PALLETAINERS. Ask the USP Material Handling Engineers for case histories applicable to your handling problems.

What's it costing you to handle materials to and from production or assembly lines, in and out of storage, or loading and unloading trucks at the dock?

Investigate the savings other industrial plants like yours are now showing by handling their materials in unit loads by USP PALLETAINERS.

Strong and sturdy, of #2 welded steel wire on 2" mesh, securely mounted on steel legs (design patented) for 4-way lift truck entry, one USP PALLETAINER will save the carrying load of *many men*. They handle easily, for rapid transport and loading, stack securely, save storage space, give full load visibility. They are the new standard of modern materials handling.

Be sure you specify the original USP PALLETAINERS for long life of economical, heavy duty service.



Empty USP PALLETAINERS fold flat for space savings and low return rates.



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You can rest assured that your payroll registers and complicated payroll data will be completed on time. You know the records are accurate, too, because they are double-checked to bank standards.

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LOWER PAYROLL PRODUCTION COSTS

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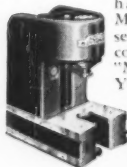


A Stamp Act That Cuts Costs

When Francis Springer, one of our Eastern representatives, first saw how they were stamping out top-quality emblems and medals from strip metal at the Irons and Russell plant in Providence, Rhode Island, he was sure MULTIPRESS could do it a lot faster. But even Springer was in for a pleasant surprise when Irons and Russell put in new Multipress equipment. Reports soon came back that production had jumped to three times the old rate!

And that wasn't all. It was quickly found that the stamped images were much cleaner and sharper in detail. Oil-smooth accuracy and pressure control—plus a special vibratory action available only on Multipress—brought better results, and cut costs in many ways.

"Gains like these are being made with Multipress on many jobs in the jewelry field", commented Mr. Springer. "In fact, that goes for almost any kind of production where hydraulic power can be put to work." If you want to be sure your own production men have the facts on Multipress, have your secretary request a free copy of our bulletin, "Multipress—and how YOU can use it." You won't be obligated in any way. The Denison Engineering Co., 1160-1212 Dublin Road, Columbus 16, Ohio.



PROFITS TAX

(Continued from page 20)

tory and is based on the principle that assets which produce fully or partially tax exempt income should not be part of the invested capital on which a credit is allowed.

Thus, the excess profits tax bill will be increased by holding or acquiring (1) stock in corporations, except stock in a foreign personal holding company and stock which is not a capital asset, or (2) State and municipal bonds and Federal partially and fully tax exempt obligations.

The income credit is the main alternative to the capital credit. The base years are 1946-1949. It is set at 85 per cent of average base period income plus an allowance for capital additions. There are seven possible ways of getting average base period income. All companies which existed at the beginning of the base period may use an average of the best three out of the four base years. All deficit years are taken at zero.

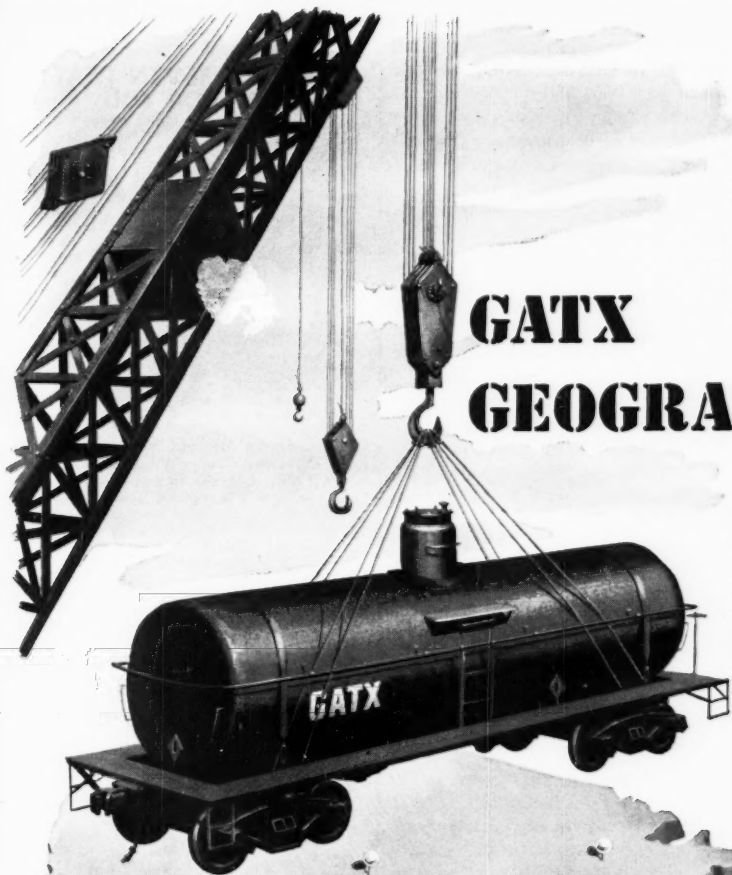
Companies which meet "growth" qualifications may be able to use the average of 1948 and 1949 earnings, or the 1949 earnings alone, or 50 per cent of 1949 earnings plus 40 per cent of 1950 earnings, or half of 1948 and half of 1950 earnings.

If it has added sufficiently to its capacity during the last 36 months of the base period, it can get its average earnings by applying the average rate of return for its industry to its total assets on the last day of the base period.

Whenever new products or services account for more than 40 per cent of a company's gross or 33 per cent of its net, it can use the industry rate of return against its total assets. New companies can also use this method.

A company in a depressed industry can apply 80 per cent of the industry's average rate of return for 1936-1948 to the average of its total assets during 1946-1949. An industry is depressed when its rate of return on its assets for three years during 1946-1949 is less than 63 per cent of the rate of return for the period 1938-1948.

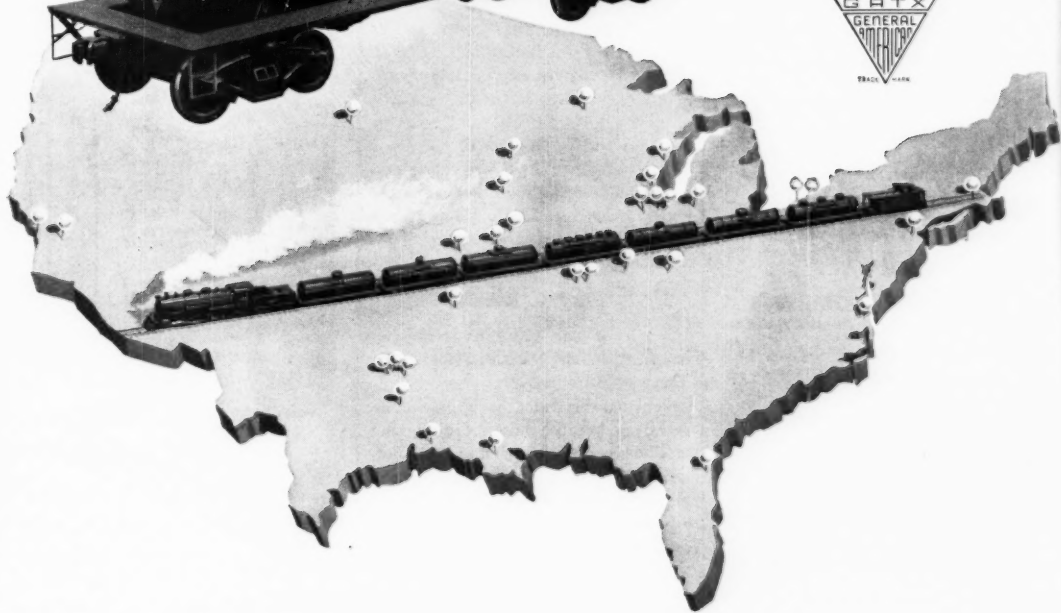
A company which has had bad years during 1946-1949 due to economic circumstances unusual to the company, may also apply its industry rate of re-



GATX GEOGRAPHY

You see GATX tank cars everywhere—hundreds of specialized kinds—carrying chemicals, petroleum products, edible oils, fish oils, molasses and innumerable other bulk liquids to and from every state in the Union.

Yet none of the more than 42,000 tank cars in the GATX fleet is ever more than a few hours away from one of General American's completely equipped maintenance shops. Thus General American—builder, operator, lessor of tank cars—keeps the nation's bulk liquids rolling swiftly, safely and economically to their destinations.



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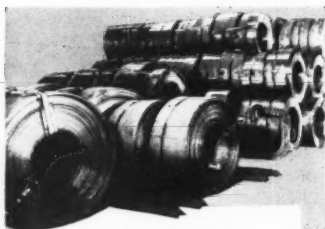
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If You Use or Sell Over 1000 Tons of Coiled Strip per Year—

doing your own slitting may be a big convenience, and very likely also a big economy.

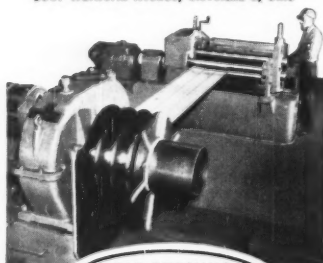
Investigate! First determine how much of your present strip cost represents slitting cost, and how much a Yoder slitting line would cost. You may find it will pay for itself in a year or two—possibly in much less time.

Consider other advantages: Reduction in inventories of coils and slit strands by as much as 60 to 70%; ability within a few hours to produce slit strands of any desired widths, from a relatively small stock of convenient coil sizes; production planning made simpler, easier; no long waits for deliveries; greater accuracy; no damaged edges; reduced freight and hauling cost; less bookkeeping.

Yoder slitters often pay for themselves operating only three or four days per month.

Send for 76-page illustrated book, containing time studies of slitter operation, production, cost, and other practical information.

THE YODER COMPANY
5531 Walworth Avenue, Cleveland 2, Ohio



COLD FORMING
YODER
SLITTING AND

TUBE MILL MACHINERY

turn to its total assets. If it had one such bad year, after eliminating its poorest year, it gets a substitute figure for that year. If it had more than one bad year, it gets a substitute figure for the entire base period.

The Senate Finance Committee report states that interruptions due to fire, strike, flood, and depression due to price wars, are examples of abnormalities. In general, such abnormalities were provided for in the World War II excess profits tax, but the new law sets more specific tests in determining the alternate credit allowed.

All of these alternates are for the purpose of getting the company's average earnings for the base period. All of them are cut back by 85 per cent. Then 12 per cent of all capital additions for 1948 and of half of the capital additions for 1949 are added if the company uses the best three out of four years or the alternative for temporary economic circumstances. In all other cases there is no credit for capital additions during the base period.

On both the capital and income basis, the credit is to be increased by 12 per cent of capital addition made since the beginning of the first excess profits year. The credit is also to be reduced by 12 per cent of capital reductions.

Capital additions include 100 per cent of new equity capital and retained earnings and 75 per cent of borrowed capital. A company may get capital reduction from scaling down its equity and borrowed capital, making dividend distributions, and acquiring inadmissible assets.

Possible Reliefs

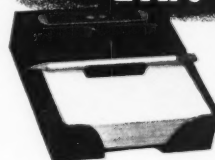
Much of the relief available is based on industry statistics which the Treasury must publish.

Because this relief is largely automatic and because those claiming relief will be able to defer payment of a portion of the tax, it may be important to budgeting and financial planning to estimate the relief available as early as possible.

The authors, in collaboration with Dr. Julius Hirsch, have estimated the statistics on which relief will be based for each industry. Because full data is not yet available, these figures will not be exactly the same as the Treasury will publish later on, but a good work-

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wells, scads of 3x5 memo paper.
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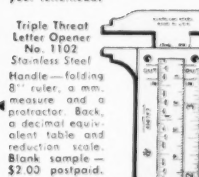
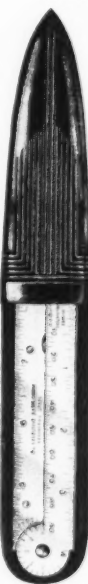
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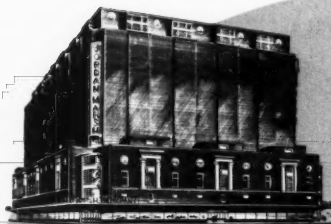
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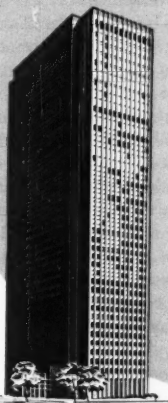
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Jordan Marsh Company, Boston, Mass. This famous store is making a Westinghouse balanced vertical transportation system the keynote of its modernization and expansion program. This system includes Electric Stairways, passenger and freight elevators.



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525 Wm. Penn Place Corp. Building, Pittsburgh, Pa. This new, 39-story building will get the best in elevator service from its 21 Selectomatic Elevators. Selectomatic is the unique Westinghouse elevator control that produces "no-wait" service. The building will be jointly occupied by the Mellon National Bank and U. S. Steel Corporation.

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COMES TO THE CROSSROADS OF THE EAST

STEEL—mighty sinew of industry—is going to be made in ever increasing volume in New Jersey . . . at the Crossroads of the East.

Plans have been announced by two of the country's largest steel companies—U. S. Steel and National—that they will construct integrated steel mills in the Delaware River Valley. Construction starts this year for one plant in New Jersey, south of Camden, as well as for the other plant at Morrisville, Pa., just across the Delaware River from New Jersey.

The news of the construction of these major steel-making plants is welcomed not only by all industry along the Atlantic Seaboard, but also by industrial leaders who are considering the location of a factory at the Crossroads of the East. Basically, this means that steel will be available via short trucking distance to all industries operating in New Jersey.

Look at the advantages industry gets at the Crossroads of the East . . . skilled labor, top-flight transportation, major markets, unexcelled research facilities, plenty of low cost electricity and gas . . . and steel . . . and you'll see why industry prefers New Jersey.

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ing estimate can be made of the relief available to a specific company.

The development of new products and the launching of new companies will hang very heavily on the adequacy of the rate of return allowed on assets before the excess profits tax strikes. As a matter of company policy, it will reduce taxes for companies using an industry rate of return to go in hock to build up assets. The exemption is the industry rate of return on total assets not reduced by liabilities.

Smaller Break-Down

As a matter of public policy, it may be essential to break industries down into smaller sub-groups if the entire development of new enterprises is not to be distorted. Take, for example, categories such as printing and publishing, auto dealers and gas stations, or the vast range of activities which fall into the chemical industry. There are within these groups the widest differences in investment, risk, turnover, and in established and properly expected rate of returns. For example, in 1947 auto dealers showed a 34.3 per cent rate of return while gas station operators showed a 14.6 per cent rate of return. To combine these groups may make it prohibitive to risk building a new company in the low capital, more risk line which has a higher established rate of return.

At the same time the high capital, lower risk line gets a free ride on the expenses of established enterprises in the low capital, high risk business with which it is grouped. Certainly, this rate of return type of relief has the virtue of simplicity and definiteness. The price may be too high in equity and in rigidity.

If this approach is to work at all, the industry groups now contemplated will have to be refined and broken down so that new and expanding companies will be able to get a rate of return which conforms more precisely to that enjoyed by their established competitors and to that required by the interest investment, risk, and turnover factors.

There will be few major transactions and few policies which will not need a fresh review under the impact of the excess profits tax. Even a quick look at this new tax law tells us to stop, look, and study. It is not yet possible, even

with World War II experience, to be sure of the pitfalls and implications which may lurk in this statute.

One thing to do is to pull up short in disputes with the Bureau of Internal Revenue about 1946-1949 income. You may willingly agree to let the Bureau toss out deductions it does not like.

There have been court decisions which have the effect of increasing tax liability for some of the years 1946-1949. Check the effect on your credit, remembering that not all items are treated alike for both the base period credit and the income tax for that period.

Yesterday's business decisions must be reconsidered and new moves halted until risks, costs, and penalties are measured. Such things to be measured include: buying securities; debt retirement; retiring stockholders by paying them off; selling a product line; any split-off, split-up, or spin-off; changing accounting years; dividend declarations; buying an open account; and security exchanges, reorganizations, recapitalizations, liquidations, mergers, or consolidations.

Any of these moves can cut the credit or otherwise raise the tax. Buying another business, obtaining new capital, or acquiring additional assets can raise the credit to a greater or lesser degree, depending on how it's handled. Each of these questions will require long and extensive study. Perhaps the most helpful thing that can be done now is to set down some bench-marks.

To-day's Financial Policy

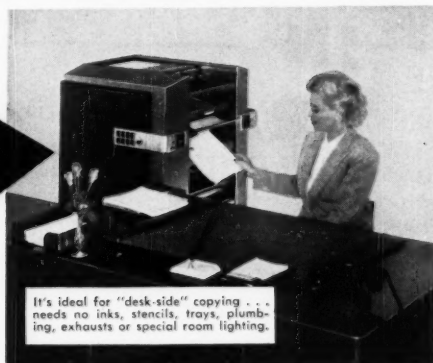
Retaining earnings for 60 days beyond the end of a taxable year will increase the invested capital credit for the next year. Thus a company may get a 3.6 per cent yield in tax savings arising out of retained earnings.

In formulating a capital structure and acquiring additional funds, the equation between equity and debt has been changed. New stock will increase both the average earnings and the invested capital credit by 12 per cent of the money paid in. Here again the tax saving is 40 per cent of this and, if the company has already had earnings subject to excess profits tax, the new money gives a 3.6 per cent yield in tax savings before it goes into production in earning additional income.

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cluded in invested capital to the extent of 75 per cent of their face value, and that portion of interest payments may not be deducted for excess profits purposes. Similarly, 75 per cent of new borrowings are capital additions to both invested capital and average earnings companies.

Both credits are increased by 12 per cent of this amount for the portion of the year in which the new borrowings are outstanding. Thus a 4 per cent debenture of \$10,000 will protect \$100 of interest and \$900 of general earnings from the excess profits tax.

Interest Costs Offset

The cost of borrowing is reduced, in fact made profitable. In this case, there is gross interest cost of \$400. After a normal tax of 47 per cent, it's only \$213. Then, \$100 is deductible against a 30 per cent excess profits rate and a credit of \$900 is also available against the 30 per cent rate. The net effect fully offsets the interest cost and still saves a further \$88 from tax.

For corporations in the 77 per cent bracket, 4 per cent interest shows .88 per cent profit; 3 per cent interest shows 1.33 per cent profit; and 2 per cent interest shows 1.59 per cent profit. At 6 per cent the net interest cost is .13 per cent.

Compare the annual cost of \$10,000 of 6 per cent preferred stock with the cost of \$10,000 of 6 per cent bonds. The net cost of the bonds is about \$13. Including taxes, annual net cost of the preferred stock is \$1,043.46. A review of all financial structures is urgent.

Borrowed capital must be actively used in the business. Recently, the tax court denied the borrowed capital credit of borrowed money used to carry insurance on the lives of officer stockholders (*Emaloid, 14 T.C. 148*). There are many other cases on what constitutes active use, and we will probably have a good many more. With a more generous credit, the Treasury will be even more vigilant to make sure that borrowed money is used in an effort to produce more income against the increased credit.

Where a new company, or one with a new product or abnormalities in the base period, qualifies to use the industry rate of return on total assets, an entirely different equation may operate. Since

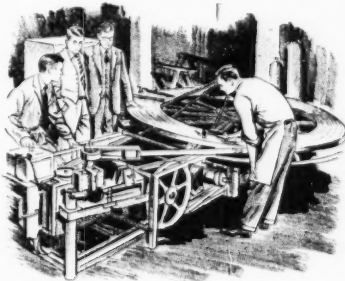
BUSINESS IN MOTION

To our Colleagues in American Business...

For many years Revere has been saying that "Copper is the metal of invention." Its numerous qualities, such as high electrical and heat conductivity, resistance to corrosion, easy fabrication into even the most complicated shapes, formability by hand with simple tools, make it attractive to designers and inventors, as well as to manufacturers. Now we would like to add that "Copper is the metal of science," because it is so essential to the operation of the most modern scientific devices.

Take the case of a cyclotron being built by a great Western university for special studies of the atom. The construction of this machine offers an unusual example of the use of copper not only in invention and science, but also education. An essential part of the project was the utilization of the university's own personnel, so far as possible, not only in design, but in construction and assembly. A large group of staff members, engineers, research assistants, electronic technicians, and machinists was formed. Included among the personnel were graduates and graduate students in physics.

The first major undertaking of the cyclotron group was the winding of the seven miles of Copper Bus Bar, supplied by Revere in soft temper, free from scale, rounded edges, to form the great coils for the electromagnet. The necessary winding machine for this work was built in the university shops, largely of surplus materials. It took four months to complete the coils and test each silver-brazed joint. Another important part of the cyclotron was shaped in the shop out of copper sheet, 4,000 pounds of it; the work on this is a story in itself. The heaviest part naturally is the special alloy steel core, weighing about 200 tons, forged in six pieces. Pole faces were machined parallel to



a tolerance of $2\frac{1}{2}$ thousandths of an inch, an excellent record on a piece of steel of such a large diameter (over five feet) as is required for the instrument. It is calculated that the magnetic force of attraction between the two poles will reach 160 tons when the current is flowing through the copper coils. We have spoken of copper's high electrical conductivity; another way to express it is that copper has low electrical resistance. The total resistance of the seven miles of Revere Copper in the coils is only one ohm, or less than a hundredth of the resistance of the glowing tungsten wire in a

100-watt light bulb. Tungsten has high resistance, which is why it becomes white hot; copper has low resistance or high conductivity, so that it can carry large amounts of power with minimum loss, little heating.

Eventually this cyclotron will add to man's knowledge of the atom. In the meantime, it has been a project of high educational value, and also an economical one; use of the university's own personnel and facilities cut the cost approximately in half. Revere is glad that it was asked to meet the high specifications drawn up for the copper, but it should also be recognized that many other firms supplied materials, such as the steel company, the makers of insulating paper and plastics, of cement, motor generators, electron tubes, and so on. Demands such as these for high quality demonstrate that American industry can meet challenges. So Revere suggests that the more complex and severe your requirements, no matter what the end product is to be, the more advisable it is for you to draw upon the knowledge and experience of suppliers. They can help not only on something as simple as a shoe, but on complicated machines, like an airplane—or an atom-smasher.

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CREDIT'S ROLE IN DAILY LIFE

The part that commercial credit plays in the daily lives of the manufacturer, retailer, and consumer alike is vividly portrayed in the fast-moving motion picture, "Credit—Man's Confidence in Man." This was filmed by Wilding Picture Productions, Inc., from a narrative and script prepared by DUN & BRADSTREET, INC.

This 16-millimeter, 34-minute-long sound film, stresses the influence of credit in developing the American economy. A cast of 50 professional actors and actresses took part in the production. The action flashes back from a typical American small town of to-day to frontier days and the harrowing experiences of early merchants in their dealings with country traders. The problem of credit granting inspired the co-operative efforts of New York merchants in pooling their credit data. Such an idea was proposed in 1841 by Lewis Tappan, founder of the Mercantile Agency, now generally known as DUN & BRADSTREET.

The film is available for showing without charge to schools and colleges, commercial credit groups, trade associations, service clubs, church organizations, and others. Requests for bookings should be made to the distributors, the Modern Talking Picture Service, Inc., 45 Rockefeller Plaza, New York City, or to the nearest DUN & BRADSTREET office.

its credit is a percentage of total assets, and liabilities are ignored, it may become especially attractive for such a company to go in hock to increase its assets.

Inventory and Expansion

Other decisions will be affected by the change in relationship between risk and return, and we will have to search for ways to make essential commitments workable. Entering a new period of armament underpins the price level and, price control notwithstanding, almost guarantees some level of inflation. A shift to LIFO protected paper inventory profits from excess profits tax for the companies which made the shift in 1941 and 1942.

When new facilities are needed, the privilege of charging off the cost over a five-year period becomes very valuable under a 77 per cent rate on excess profits. In a long struggle which may or may not blaze into all-out war, but in which economic strength is one of the major weapons, we may hope to obtain certificates of necessity for acquisition of land, plant, and equipment which is not directly military in use.

Where the 20 per cent charge-off is not available, many expansion projects will become more dubious. But an increase of the credit by 12 per cent of new capital and 9 per cent of new borrowings represents some improvement over the last excess profits tax law. The kind of expansion which may be accomplished with deductible expenses such as advertising and promotion, research, and more payroll in sales effort, will become more attractive. Much of the accountant's thought and time will be devoted to interpreting the business implications of this new factor in the investment-profit equation.

For the smaller corporations, there will be some arithmetic to do, but this arithmetic will be merely the first step in shaping some decisions. Because these decisions go to the basic shape of the corporation, they will call for the broadest kind of wisdom.

Every closely held business will want to check again to see if the excess profits tax and higher individual tax rates call for a change in the decision to operate as a corporation or not. Where this study indicates that the excess profits tax has made the corporate forms too

costly, there are two alternatives to study—qualifying as a personal service company or liquidating.

A company can qualify as a personal service corporation if capital is not a material income producing factor and income can be ascribed primarily to the activities of shareholders who actively conduct the business and own at least 70 per cent in value of each class of stock. A corporation which so qualifies can be exempted from excess profits tax if its stockholders agree to pay individual tax as dividends on their pro rata share of the corporation's undistributed earnings.

Corporate Taxes Greater

Unless the capital gains tax on liquidation is prohibitive, or the corporate form is essential for some other reason, this is not a very satisfactory out. The current tax burden will always be less in operating in an unincorporated form than in paying the normal corporate tax plus individual tax on corporate earnings after taxes.

But there are many circumstances under which the personal service company option is a valuable one for advertising agencies, insurance, real estate agencies, brokerage and commission houses, schools, and similar organizations. There we may have to deal with adjustments to qualify them.

If inactive stockholders own more than 30 per cent of the stock, it may be necessary to activate them or to convert their stock to debentures.

Qualification has been denied because a business had a large number of employees, so that its income was not sufficiently attributable to the personal service of active stockholders. This problem has been dealt with by making a stock interest available to more employees or by cutting down the operation of the firm so that its income flowed more fully and directly from the personal efforts of the principals.

If the decision is to liquidate, there is again an option. In a regular liquidation, half the difference between cost of stock and the value of assets, including any good-will, is taxed to stockholders at regular rates, but not in excess of 50 per cent. This is the maximum 25 per cent capital gains rate applied to the stockholders' profit on liquidation.

Good-will created a serious problem

8 FRUEHAUF TRAILERS AND 1 TRACTOR REPLACED 3 ENGINES AND 30 FLATCARS FOR SHIPBUILDER!



PROBLEM: Handling material for shipbuilding, e.g., over 2 million pounds of castings in 30 days, formed steel, 10 ton counterweights, etc., to be loaded, unloaded, moved and stored. A lack of efficiency in the use of a company-owned railroad, tugboats, crawler cranes and similar mobile equipment indicated the need for a better method of handling, in less time with less equipment and fewer men. Overall transportation costs approximated \$250,000 per year.

CONCLUSION: Two major changes were made. 1. The switch engines and railroad cars were replaced by Truck-Tractors pulling *Fruehauf Trailers*. 2. All mobile units were equipped with short-wave telephones.

RESULTS: One Truck-Tractor and 8 Trailers in a "shuttle" operation now do the work of 3 locomotives and 30 flatcars. Idle time in the transportation department has been cut 70% and twice as much work is being done by each vehicle.

BENEFITS: Four trucks rented at \$96 per day, plus four drivers, were eliminated—three train crews and equipment were eliminated. (One locomotive and a few flatcars are in intermittent service hauling extra heavy loads.) One Truck-Tractor with one driver moves each of the 8 Semi-Trailers an average of 4 times in an 8 hour day.

Radio control provides a more closely controlled traffic operation.

TOTAL SAVINGS: In the first 3 months of operation transportation costs were cut 15% (\$9,375). On this basis annual savings will total \$37,500. Labor overhead was cut \$1400 per month—an annual saving of \$16,800.

TOTAL ESTIMATED SAVINGS: \$54,300 per year!

NOTE: A confidential "Report to Management on Transportation" giving company names and additional information, is available free upon request—and without

obligation. Write (on your business letterhead) to Fruehauf Trailer Company, 10988 Harper Ave., Detroit, Michigan.

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for many companies which liquidated to escape the excess profits tax in World War II. Their stockholders had to pay capital gains tax on a hypothetical goodwill value arrived at by capitalizing past earnings. In a very recent case, the Treasury gave a specialty store a goodwill value of \$455,000. The tax court cut it down to \$70,000 (Bluestien, 15 T. C. No. 10).

Fortunately the 1950 tax law gives us a way to eliminate this danger in liquidating a corporation in 1951. If the liquidation is completed within one month of 1951, and other technical requirements of Section 112(b) (7) are met, we can elect to have the liquidating gain taxed as follows: (a) accumulated earnings will be taxed as ordinary income, (b) excess cash, plus any securities the corporation may have acquired after August 15, 1950 will be taxed as capital gain, and (c) any remaining gain received in goodwill or the high value of a plant or other tangible asset is not taxed to the stockholders. This is a very useful option where the earned surplus is relatively low and the potential gain springs largely from the inflation of values and the creation of earning power.

Salary Levels to Use

For every level of business income before salaries, there is a salary level which will result in minimum combined corporate and individual tax liability, always of course provided the salary is deductible as a reasonable payment for the services rendered. The coming of the excess profits tax usually shifts this optimum salary upward.

A lot of business decisions will turn on when a company gets into the 77 per cent bracket and when it passes over into the 62 per cent ceiling rate. When a company's in the 77 per cent zone, it's a good gamble to spend on new projects and new selling effort—to get up into the 62 per cent zone. It may be a bad gamble for a company in the 25 per cent or 47 per cent zone to risk money to increase its income.

The key is the excess profits credit. When income exceeds the credit, the 77 per cent rate comes into play. Now add \$18,333 to the credit. When income becomes double the resulting figure, the corporation has hit the 62 per cent ceiling rate.

HOOVER PLAN

(Continued from page 15)

under an obsolete and inadequate system. The Department normally waited a year for its official accounting figures and, therefore, it based its operating plans on estimates which it worked up itself with duplicate accounting machinery.

The Military Unification Act of August 1949, has strengthened the authority of the Secretary of Defense, introduced a performance budget system and modernized accounting, and helped to bring about real teamwork among the three military services.

The last of these nine—Military Unification—has been called the greatest single achievement of the Hoover Commission. Much of the value of unification lies in the field of morale and cannot easily be appraised. Specific, measurable examples of inter-service co-operation and economy, however, are beginning to add up to a heartening total.

There is now being developed, for example, a common cataloging system of supplies for all services instead of the seventeen different systems previously used, and it has already cut the five million items previously listed in half.

All three services are now using unified printing plants, a single Washington telephone switchboard, a single improved method (the Navy's) of issuing uniforms, and a unified code of military justice. They are co-operating for the first time on such matters as wind tunnels, research, purchasing, and construction. More than 10,000 job classifications used by the military establish-

OVERLAPPING AGENCIES

The Congressional Record reveals that there are 38 different government agencies that lend money; 16 different government agencies are engaged in wildlife preservation; 14 agencies are engaged in obtaining land; 10 in government construction; 9 in credit and finance; 4 in bank examinations; 65 in gathering statistics; 14 in forestry matters; 28 in welfare matters; 12 in home and community planning; and 25 dealing with the nation's mineral resources.

—NAM News

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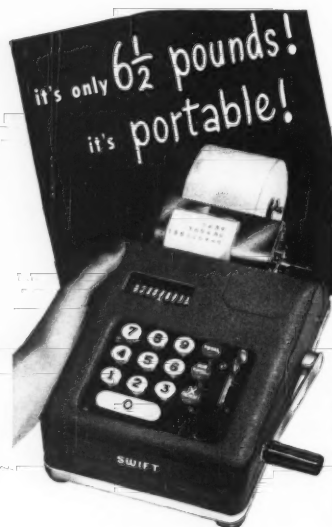
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ment in World War II have been cut to 3,000.

These, then, are the main accomplishments of reorganization to date. There have been, in addition, many lesser reforms within the framework of these nine major accomplishments. All Government transport services have been consolidated within the Department of Commerce. The management and government of the Panama Canal have been reorganized and a modern business-type organization and a new tolls policy installed.

The Federal Executive Pay Act has given some 200 top federal officials salaries somewhat more in line with those of private industry. The number of military attachés in foreign embassies has been cut 30 per cent and their work consolidated. Wandering bureaus have been put where they belong: the Treasury Department no longer operates the Bureau of Federal Supply.

How Much Is It Worth?

How much actual savings can we expect from these reforms already enacted? The Citizens Committee estimates a total savings of around \$2 billion a year, most of it arising from economies worked in military unification. I cannot, of course, judge the accuracy of this estimate. As military expenditures and the total federal budget rise, the total of savings effected, of course, will also rise.

Some savings are clear and apparent. For example, a year ago General McNarney stopped the unnecessary operation of 30,000 military passenger vehicles and released the services of 3,500 officers and men for better use elsewhere. Last Fall enough Government records and dead files were transferred to an abandoned factory outside Washington to allow office space for 10,000 employees—space which otherwise would have to be built or rented.

Other savings, unlike these mentioned, are of a less obvious nature, and still others, I presume, will take months and perhaps years to develop. Three-fifths of the Hoover laws and plans enacted, after all, were passed within the past year, many of them within the past few months.

I am inclined to think that economy is only half the story of the Hoover Report and perhaps the half that has been

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emphasized at the expense of other things that the Report can do for us.

It is from changed policies that the greatest savings can and must come, and with these the Hoover Commission was not directly concerned. Far more than \$3 or \$5 billion can be saved if the Government will simply cancel, postpone, and reduce some of its non-essential, non-military programs in this crisis, withdraw from competition with private industry in a score of fields, and stop handing out subsidies.

Three Ways to Save

There is a widespread misconception about how savings in Government—or in private industry, for that matter—are made. Consolidation and reorganization do not save money in themselves. They simply provide the means by which such savings can be made. When you merge two private companies, you have the same number of people working for one firm instead of two, with a new need, probably, for additional supervisory personnel—unless you press the opportunities for savings that come with merger. The same is true of merger in Government.

There are three requirements to effect savings. The first is reorganization. The second is the technical knowledge of how to use that reorganization. The third is the will to use it.

The Hoover Commission Report is simply a plan for reorganization. If it is all put into effect to-morrow, it will save nothing unless the knowledge and the will to make savings are there, too. On the other hand, no administrator, regardless of his knowledge and will,



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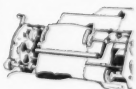


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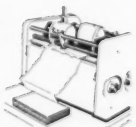


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can make appreciable savings in our Federal Government *without* first having reorganization to build upon.

The other half of the Hoover Report story—efficiency—now seems to be growing more important every day. In order to survive the long emergency we face, we must have an efficient and effective Government as well as an economical one.

It seems apparent to me that the Hoover reforms have helped us considerably in this respect in the past six months. Washington is still a jungle, to be sure; but it is probably a good deal less of a jungle than it would have been if the Hoover Plan had not unsharpened some of those agencies and bureaus.

Improvements for Defense

There is impressive testimony from military men, including General MacArthur and Secretary of Defense Marshall, that military unification as wrought by the Hoover Plan has worked well in the Korean action, both at the front and in Washington. The new single Military Sea Transport Service carried 120,000 troops and a tremendous amount of material to Korea with unparalleled speed. The Military Air Transport Service moved 35,000 persons to Korea and saved weeks of time in evacuating wounded to the United States.

It is unfortunate that there has been some confusion among our people on the relationship of the Hoover Report to the amount and kind of armament and the number of men we had under arms when the war broke out in Korea.

It must be pointed out that neither the Eberstadt Task Force of the Hoover Commission, the Hoover Commission itself, nor the Tydings Act based on the Hoover Report, ever made any recommendations, one way or the other, for cuts or increases in the amount or nature of military appropriations. That was not their job. They were concerned only with two things: operating economies; and the bringing about of unified military thinking, planning, and organization.

I think we know enough now to say positively that the Hoover Plan has rewarded us well both in efficiency and economy to the extent that it has been adopted; that the remainder of the

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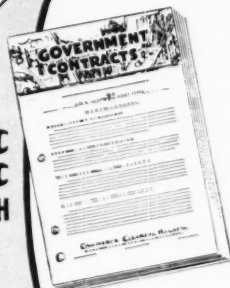
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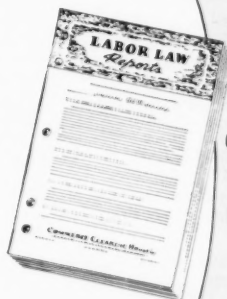
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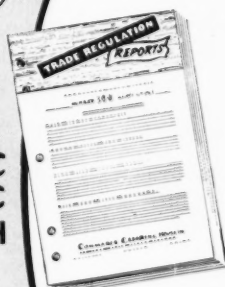
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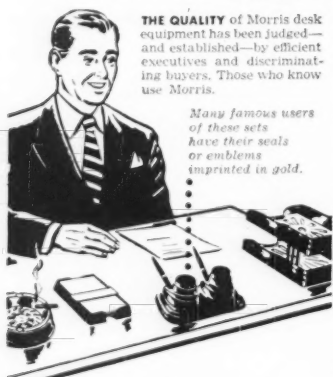
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plan surely should be put to work.

A little more than 50 per cent of the Hoover Plan remains to be put into effect. That is a statistical figure only. The fact is that not one Commission recommendation has been adopted that offends any major pressure group or that makes possible a major reduction in government employees. With the exception of Military Unification, no recommendation has yet been adopted that will lead to major economies. The easier, less controversial half, emphasizing efficiency, has been adopted. The harder half, in which the greatest economies can be achieved, still lies before us.

Politics vs. Economy

The remaining recommendations will certainly be fought more fiercely than anything that has gone before. And yet they must be adopted. Mr. Hoover has stated over and over that his Commission's Report should be judged and accepted in its entirety. "The pattern is a unity," he said. "Any major exceptions would damage or destroy the whole." And again: "They stand or fall together. To give in at one spot, whatever the political pressures, means, almost inevitably, the collapse of the whole."

The Veterans Administration has not yet been touched. The Department of Agriculture has not been touched. Our antique and patched-up Civil Service System has never been overhauled since it was inaugurated 67 years ago.

The Hoover Commission Task Force for Personnel Management, headed by the late John Stevenson, president of the Penn Mutual Insurance Co., made 33 recommendations on this latter subject, only a few of which have been adopted.

There must be drastic reforms in methods of hiring, promoting, firing, and paying government employees. Such reforms would make government service more attractive to better and younger people. They would reduce a costly turnover that now runs to about 25 per cent a year. They would increase the efficiency of two million workers by an estimated 10 per cent. They would reverse the protective, negative Civil Service philosophy which is based on rights and not on ability. As Mr. Hoover has declared, "We cannot entrust the Government



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The Post Office Department needs the thorough overhauling slated for it in the Hoover Plan. The Report made nine recommendations for this Department, and of the six that must be enacted by Congress, only one has been passed. The Postal Service would be decentralized into fifteen regions and operated under procedures somewhat similar to those of national chain store management.

A start was made when the President, for the first time, appointed a career official instead of a political figure as Postmaster General. He has asked the Congress to place the appointment of 22,000 postmasters on a career instead of a patronage basis. These nine recommendations, if properly carried out, will improve morale and service and cut in half the annual \$300 to \$500 million deficit.

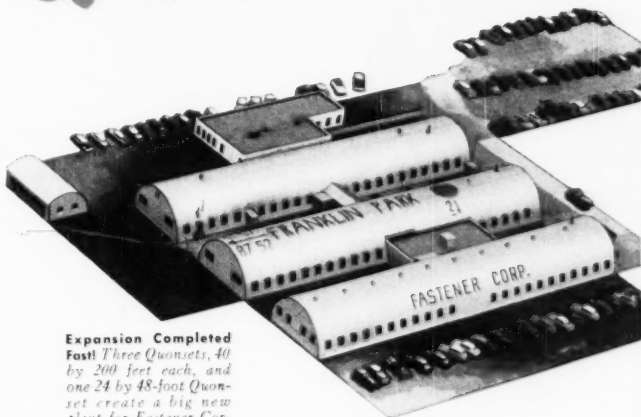
Waste and Duplication

The United Medical Administration recommended to take over the Public Health Service and the military and veterans' hospitals has not been created. Five big federal hospital systems are competing with each other, and with all other hospitals, for nurses, doctors, and technicians. Forty government agencies are still offering medical services to various groups.

The recommendation that all federal conservation and construction be consolidated in the Department of the Interior (renamed the National Resources Department) has not been adopted. The rivalry and duplication of work between the Corps of Engineers and the Bureau of Reclamation are still unresolved. There is no check and balance system on projects, and no review board to prevent duplication of surveys and planning. The agencies themselves are deciding whether or not their projects are economically or socially sound.

Land management functions have not been consolidated within the Department of Agriculture. The Forest Service, Soil Conservation Service, and Bureau of Land Management are still competing with each other and duplicating work and services. Rental for grazing land varies according to which agency administers it, and if two agen-

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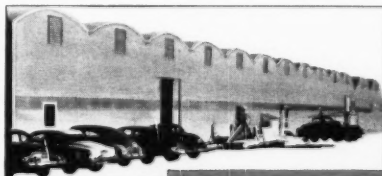
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cies administer it, a cattleman must have two leases.

A start, but no more, has been made on the reorganization of Federal Business Enterprises. Certain enterprises should be incorporated in one agency and uniform budgeting, accounting, and other business procedures installed. There should be uniform corporate requirements. Hidden subsidies should be discontinued. If the Federal Government is going to continue to lend money and buy and sell mortgages, it at least should do it properly and under one roof.

The Hoover Plan in 1951

The Hoover Report has not been tested until all its recommendations have been adopted. The country cannot be considered fully or effectively mobilized until they have been put in force.

To the extent that we believe this and believe in the Hoover Report, we must now bear down to see that the rest of the plan is accepted—and accepted in 1951. Some of us may feel a moral obligation to do this. Certainly we will be benefited as citizens if we do so.

We can do this in the usual ways in which we would support any idea we believe in or any piece of legislation we want to see passed. To these ways, however, we can add one more: we can think twice and deeply before we speak or act against any specific Hoover Report reform that works to the apparent disadvantage of us as individuals or of some group with which we are associated. We can, in other words, support the Hoover plan when and if it hurts. We can subordinate personal interest, if the occasion arises, to the interest of good government.

There is a grave and real question whether we can survive the perils of the years that lie ahead. As one of the world's great powers, we have the factories and the know-how. Our enemy has immense resources of manpower and raw materials. The factors are increasing against us as time goes on.

We must make the best possible use of everything we have. We must put our house in order and prepare for a long siege. The Hoover Commission Report—all of it in effect and working—can help us to do that.

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(Continued from page 22)

salesperson has it if he caters to the patron's wishes as, for example, in the quality, price, and color of his wares rather than ignoring the customer's expressed desires along these and similar lines.

From about 10 to 25 per cent of the salespeople in the three groups exhibit weakness in getting the patron's point of view. Or, to be exact, 75.5 per cent of all salespeople procure the customer's view-point, 90.1 per cent of the department store group, and 76.4 per cent of the women's wear category.

The knowledge of merchandise possessed by the salespeople tested varied considerably. Of the 4,002 salespeople combined, 74.7 per cent know the origin of their merchandise compared with 72.3 per cent of the 887 department store salespersons, and merely 23.4 per cent of the 611 women's wear group.

Of the first group, 76 per cent know out of what the merchandise is made; 84 per cent of the second category; and 78.4 per cent of the third group.

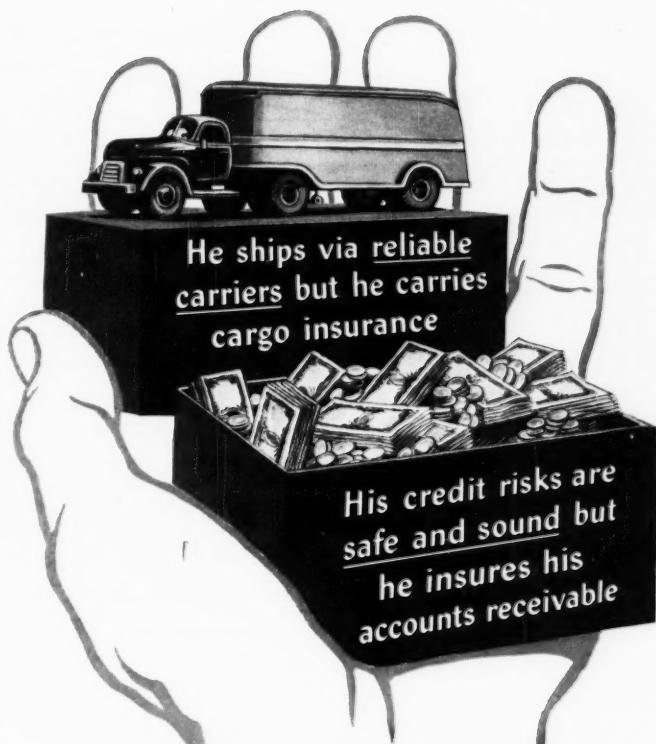
Slightly more than 61 per cent of the general sales group know the characteristics of their stock; 86.4 per cent of the department store salespersons, and merely 35.3 per cent of the women's wear salespeople.

As in the case of a knowledge of the origin of the merchandise, the saleswomen lag far behind in the ratings of the other two groups on a knowledge of the characteristics of goods.

But, when it comes to knowing the uses of merchandise, relatively more salespeople in women's wear stores have such knowledge than salespersons in the general sales group or in the department store classification.

Of all salespeople, 51.8 per cent know the uses of their merchandise; of the department store group, 55.9 per cent; and of the women's wear group, 56.8 per cent.

However, the saleswomen fall down as a group on the care of merchandise when not in use. In the general classification, 48.4 per cent of the salespeople demonstrate a working knowledge of such care, 60.8 per cent of the department store salespersons, and just 29.5



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per cent of the women's wear group.

On a knowledge of accompanying services of items, the variations in the three groups are not so great. Slightly more than 37 per cent of the first category possess a knowledge of these services, 32.7 per cent of the second group, and 29.5 per cent of the third.

The qualities of merchandise are known by 75.8 per cent of all the salespeople combined, 82.7 per cent of the department store salespersons, and 62.7 per cent of the saleswomen; fairly high percentages in each group.

Of a knowledge of brands, 71.9 per cent of the first category show such knowledge; 86.6 per cent of the second, and 60.9 per cent of the third. Again the salespeople in women's wear trail.

But in a knowledge of price-lines the third group leads the first with 90.2 per cent compared with 78.9 per cent, but follows the department store classification. The latter has a rating of 96.2 per cent.

Saleswomen in their shops lead both of the other two groups in a knowledge of the location of goods within the stores. The ranks are 82 per cent, 84.7 per cent, and 91.2 per cent respectively for all salespeople, the department store category, and the women's wear group.

Now let us take up the methods employed by the salespeople to answer common objections to buying. One method, known as the *reverse English* method, tactfully turns the objection into a selling point, making the merchandise seem more desirable to the customer.

Out of the 4,002 salespeople combined, merely 29 per cent make use of this important device. Department store salespersons do slightly better, 32.6 per cent employ it. Women's wear salespeople do even better, since 39.3 per cent use it. But these are poor records for all three groups.

All the salespeople make a better

showing with the simple *indirect denial* (Yes-but) method. By it the salesperson presumably agrees with the objection, but presents another angle from another view-point.

Some 34.8 per cent of the first group employ the indirect denial method, 43.3 per cent of the second category, and 56.8 per cent of the third group.

Thus, nearly two-thirds of all salespeople show a deficiency in the use of this method, over one-half of the department store salespersons, and a little more than one-third of the women's wear group.

Mastering Consumer Objections

The ratings of the three groups are much worse on the *reverse position* method. This method consists of the salesperson asking the customer to explain in detail his objection to buying so the salesman may learn more about his merchandise offering.

Merely 18.9 per cent of the salespeople in the first category employ this vital device, barely 11.5 per cent of those in the second classification, and just 29.5 per cent of the third group.

While in general the salespeople have a better record on the *superior point* method, much improvement is to be desired. Now by this device the salesperson admits the validity of the buying objection, but calls the customer's attention to some other off-setting points that seemingly are more significant and that outweigh the objection.

Some 38.7 per cent of the salespeople in the first group employ this method, 34.5 per cent in the second category, and 25.5 per cent in the third group.

Thus, slightly fewer than one-third of the salespeople in the first two groupings show inability in the employment of this device and nearly three-fourths of the saleswomen.

Still fewer salespeople use the *question* method by which the salesperson seeks to overcome the obstacle to buying by asking a question which, when answered by the customer, tends to overcome the objection. If the patron expects to be consistent, he buys the article.

Just 18.9 per cent in the general sales group use this device, merely 13.5 per cent of the department store salespeople, and just 21.6 per cent of the saleswomen.

Thus, practically all salespeople in

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Balance Sheet

ADMITTED ASSETS

| | *December 31, 1950 |
|---|-------------------------|
| Cash in Office, Banks and Trust Companies | \$ 38,777,419.93 |
| United States Government Bonds | 108,301,862.62 |
| Other Bonds and Stocks | 175,820,027.95 |
| Investment in The Home Indemnity Company | 6,878,161.00 |
| Real Estate | 5,293,635.24 |
| Agents' Balances or Uncollected Premiums, Less Than 90 Days Due | 19,766,198.65 |
| Other Admitted Assets | 3,320,264.23 |
| Total Admitted Assets | \$358,157,569.62 |

LIABILITIES

| | |
|--|-------------------------|
| Reserve for Unearned Premiums | \$153,821,812.00 |
| Reserve for Losses and Loss Expenses | 40,775,253.00 |
| Reserve for Taxes | 8,750,000.00 |
| Liabilities under Contracts with War Shipping Administration | 1,218,246.31 |
| Reinsurance Reserves | 1,334,793.53 |
| Dividends Declared | 3,598,708.50 |
| Other Liabilities | 5,417,599.74 |
| Total Liabilities Except Capital | \$214,916,413.08 |
| Capital | \$ 20,000,000.00 |
| Surplus | 123,241,156.54 |
| Surplus as Regards Policyholders | \$143,241,156.54 |
| Total | \$358,157,569.62 |

*NOTES: Bonds carried at \$5,799,756.96 Amortized Value and Cash \$80,000.00 in the above balance sheet are deposited as required by law. All securities have been valued in accordance with the requirements of the National Association of Insurance Commissioners. Assets and Liabilities in Canada have been adjusted to the basis of the free rate of exchange. Based on December 31, 1950 market quotations for all bonds and stocks owned, the Total Admitted Assets would be \$357,620,695.62 and the Surplus as Regards Policyholders would be \$142,704,262.54.

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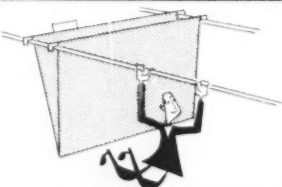
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these three groupings exhibit inability in the use of this method to answer common objections to buying.

Let us now turn to the methods employed to close sales. The *summation* method, consists of the salesperson, at the psychological moment, quickly summing up the sales points which the customer has approved in his sales talk.

Of the 4,002 salespeople taken together, 36.5 per cent use this closing device; of the 887 department store salespersons, 26.8 per cent employ it; and of the 611 women's wear salespeople, 47.1 per cent.

Thus, from nearly three-fourths down to slightly more than one-half of the salespeople in the three groups show a deficiency in the use of this selling technique.

Wrong Tactics

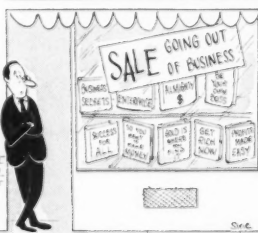
By the *direct question* method is meant that the salesperson asks outright whether or not the customer wants to buy the specific item under consideration, giving the customer a choice between one specific article and nothing. Generally, the patron chooses nothing.

Some 40.4 per cent of the salespeople in the first category employ this device, only 23 per cent of the salespersons in the second classification, and just 11.6 per cent in the last group.

This method is the weakest of all. No salesman should use it. The saleswomen's group has by far the best record in the use of this method since slightly more than 11 per cent employ the device.

By the *alternative presentation* method is meant that the salesman

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asks the customer which of two items he prefers. It is a very effective device. Of the salespeople in the first grouping, 38.5 per cent employ this method. Among salespersons in the second category, 34.5 per cent make use of it. And of the saleswomen in the third classification, 51.1 per cent use it.

The saleswomen group tops the other two categories. While nearly one-half of the saleswomen employ this device for closing sales, nearly two-thirds of each of the other groups do not.

Promoting Additional Sales

In employing the *suggestion* method, the salesperson merely suggests a decision like, "Do you think six handkerchiefs will be enough?" Out of the general sales group, 27.6 per cent make use of this method; of the department store salesmen, merely 13.4 per cent employ it; and of the saleswomen, just 23.4 per cent use it. These are very poor ratings for all the groupings.

The salespeople tested make a little better showing in the use of the *assumption* method of closing sales. By assuming a decision is meant that the salesman takes it for granted that the sale has been made without the actual assent of the customer.

The salesperson might say for example, "You have made a wise choice. I am sure you will enjoy this article." Some 34.3 per cent of the salesmen in the first group use this device compared with 32.4 per cent in the second classification and as many as 45.2 per cent in the third one.

Thus, from about two-thirds to slightly more than one-half of the salespeople in these three categories are deficient in the employment of this device for closing sales.

There is also some variation in the number of the salespeople in the different groups who suggest the sale of additional merchandise. Some 56.3 per cent of the salespersons in the general sales group and as many as 65.5 per cent of the department store salesmen suggest more buying compared with 47.1 per cent of the saleswomen. So from one-third to slightly over one-half of the salespersons in the various groups need to suggest the sale of additional items.

In conclusion, a few points might be emphasized to advantage. Observing



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the principles of good salesmanship generally makes buying and selling more pleasant, usually saves the time of customers and salesmen alike, and as a rule increases sales, profits, and the compensation of salespeople.

Now this survey shows that most of the salespeople tested have favorable approaches, but that in some of the elements of a good approach comparatively large numbers of salespersons need improvement.

This criticism particularly applies to many salespeople in the women's wear category. Likewise, more saleswomen need training in getting the customer's view-point than department store salespersons, but not so many as in the case of salespeople in the general sales group.

A Need to Know Merchandise

A considerable number of salespeople in all the groups are deficient in some of the selling knowledge relating to the merchandise they sell. More salesmen and saleswomen should seek knowledge relating to the origin of the goods, the content of the merchandise, and the characteristics of the stock.

They should, moreover, acquaint themselves with the uses of many items, the care of some articles when not in use, and the accompanying services with the purchases of some goods.

They should know more fully the qualities of items, their brand names, the various price-lines, and even the location of merchandise within their stores.

By and large, salespeople make a very poor showing in the use of the five methods to answer such common objections to buying as "the price is too high," or "I think the quality is too low."

Indeed, with rare exceptions, about two-thirds of the salespeople decidedly need more training in the employment of all five methods.

The salespeople tested likewise exhibit bad records for closing sales by all the methods that should be employed. Even in the use of the weakest method, the direct question device, which no salesperson should employ, we find all the way from 11.6 per cent to 40.4 per cent of the salespersons using it.

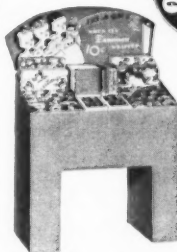
The other methods are definitely more effective and should be employed

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in accordance with the type of buyers being sold. Most merchants need to train most of their salespeople in the art of closing sales.

Finally, a third to over one-half of the salespeople shopped are definitely wanting when it comes to suggesting the sale of additional merchandise. That even seems true from the standpoint of the buying public. At any rate, one investigation indicated that 90 per cent of the consumers expect salespeople to suggest the sale of additional items. The public should not thus be disappointed.

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● More detailed breakdowns of those data originally compiled by the publishers appear monthly in DUN'S STATISTICAL REVIEW, largely in tabular form, \$2 a year; \$2.50 outside of the United States. These data include business failures, bank clearings, building permits, price indexes, and regional trade information; they are summarized and interpreted each month in DUN'S REVIEW (see pages 26-28, 30, 32, and 34).



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Address _____
City _____ Zone _____ State _____
By _____

DR-534

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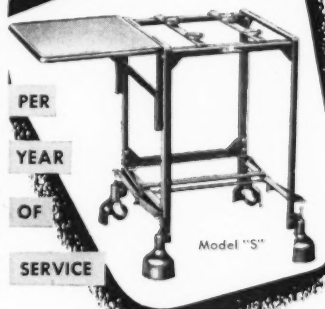
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PER

YEAR

OF

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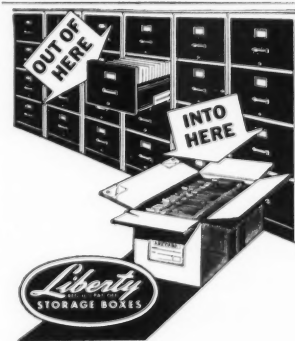


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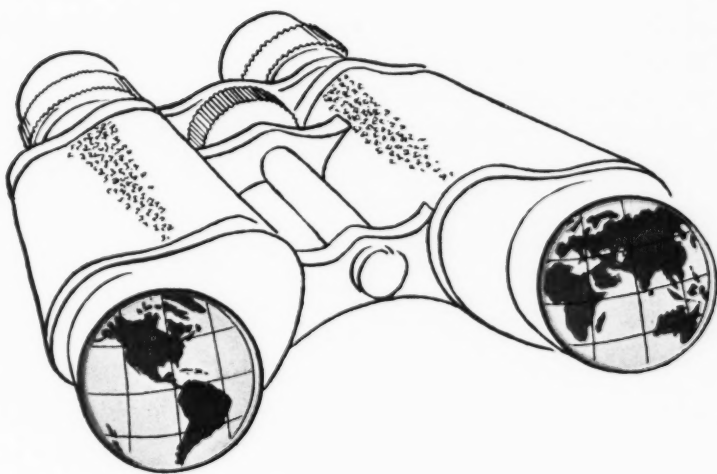


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